



Press Release

Vishal Papertech (India) Limited

April 14, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	44.61 (enhanced from Rs.37 crore)	IVR BBB- /Stable (IVR Triple B Minus with Stable outlook)	Revised from IVR BB+ (IVR Double B Plus) and removed from Issuer not cooperating	Simple
Short Term Bank Facilities	6.00 (enhanced from Rs.3 crore)	IVR A3 (IVR A Three)	Revised from IVR A4+ (IVR A Four Plus) and removed from Issuer not Cooperating	Simple
Total	50.61 (Rs. Fifty crore and sixty-one lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Vishal Papertech (India) Limited (VPIL) draws comfort from its long track record of operations under experienced promoters, growth in scale of operations in FY22, average financial risk profile marked by average debt protection metrics and, effective working capital management. However, these rating strengths are partially offset by its exposure to volatility in wastepaper prices, competitive nature of the industry exerting pressure on pricing flexibility and exposure to foreign exchange fluctuation risk.

Key Rating Sensitivities:

Upward Factors

- Increase in scale of operations with EBITDA margin above 8% on a sustained basis
- Sustained improvement in working capital cycle leading to further improvement in liquidity

Downward Factors



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- Deterioration in scale of operations with the EBITDA margin below 3% on a sustained basis.
- Moderation in liquidity position with deterioration in operating cycle
- Any debt funded capex leading to deterioration in the capital structure thereby debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of the company in the paper industry under experienced promoters**

VPIL has been involved in the business of manufacturing paper products since 1994 and the promoters have a long-standing experience in the industry. Mr. Mahesh Kumar, who is the Managing Director of the company, has an extensive experience of about four decades in the paper industry. The other Director, Mr. Ankit Gupta, have more than a decade of experience in the paper and pulp industry.

- **Growth in scale of operations in FY22**

VPIL's total operating income has increased by 51% in FY22 to Rs.301.24 crore from Rs.199.58 crore in FY21 as the demand for the product manufactured by VPIL increased with revival of industries after the COVID-19 impact. Further, driven by sustained demand of its products, VPIL has earned ~Rs.222.61 crore of operating revenue in 9MFY23.

- **Average financial risk profile marked by average debt protection metrics**

The overall gearing ratio stood at 2.47x as on March 31, 2022. However, the debt profile of the company includes unsecured loans from the promoters and related parties, considering the same as quasi equity the overall gearing stood at 0.75x as on March 31, 2022. The financial risk profile of the company remained average marked by its average debt protection metrics with interest coverage around 3.75x in FY22. Further, Total debt to GCA also remained moderate at 7.01x in FY22. However, the company has earned adequate gross cash accruals of 8.92 crore in FY22 to serve its debt repayment obligations.



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- **Effective working capital management**

The company exhibits prudent working capital management as reflected by its modest average inventory period and average receivable period. The operating cycle of the company remained comfortable at 34 days in FY22 as compared to 44 days in FY21.

Key Rating Weaknesses

- **Susceptibility of margins to volatility in prices of raw material**

The operations of the company are raw material intensive. The main raw material used in the manufacturing process is wastepaper which accounts for ~80% of VPIL's total raw material costs. The prices of the wastepaper in the domestic and international markets have witnessed volatility over the years which impacts the profitability of the industry players. The EBITDA margins declined from 6.54% in FY21 to 4.37% in FY22. Further, PAT margins remained thin over the past three fiscals. PAT margin has declined from 1.19% in FY21 to 0.93%. Going forward, VPIL's ability to pass on increase in wastepaper prices remains critical.

- **Low entry barriers with high competition**

The paper and packaging industry is intensely competitive with numerous unorganised players due to low entry barriers and limited product differentiation, leading to limited pricing power. The highly fragmented and competitive nature of the industry may impact the profitability of the players.

- **Exposure to foreign exchange fluctuation risk**

VPIL sources wastepaper from both domestic and international markets. VPIL's margins remain vulnerable to any adverse fluctuations in foreign exchange rates in the absence of a hedging mechanism. The unhedged forex exposure stood at Rs.2.26 crore as on March 31, 2022.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Policy on Default Recognition](#)



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Liquidity – Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals in the range of ~Rs.9.10 -12.44 crore as against its debt repayment obligations in the range of ~Rs.6.73-6.12 crore during FY23-25. The company has earned a gross cash accrual of Rs.8.92 crore in FY22. However, the average working capital utilisation of the company in the past 12 months ended February 2023 remained high at ~84% indicating a limited liquidity buffer.

About the Company

Vishal Papertech (India) Limited (VPIL), incorporated in 1994 by Mr. Mahesh Kumar, is engaged in manufacturing of paper boards and white coated back, used in the packaging industry, with its manufacturing facility located in Mohali, Punjab, having an installed capacity of 180 tonnes/day. The product of VPIL includes Coated/ Uncoated Duplex Board, Crystal White Back, Radiance White Back, Radiance Grey Back, VT Platinum, Pearl Graphic, etc. These products are available in various sizes as per the specific needs of their clients.

Financials (Standalone):

For the year ended / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	199.58	301.24
EBITDA	13.06	13.18
PAT	2.38	2.82
Total Debt	58.08	62.51
Tangible Net worth	22.68	25.32
Ratios		
EBITDA Margin	6.54	4.37
PAT Margin	1.19	0.93
Overall Gearing Ratio	2.56	2.47

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: The ratings of Vishal Papertech (India) Limited continue to be classified under Issuer Not Cooperating category by Crisil as per Press Release dated August 16, 2022, and by Brickwork as per Press Release dated April 04, 2023, due to unavailability of information.



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Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Dec 30, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Nov 15, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	24.61	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB+; Issuer Not Cooperating (IVR Double B Plus; Issuer Not Cooperating)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-
2.	Cash Credit	Long Term	20.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB+; Issuer Not Cooperating (IVR Double B Plus; Issuer Not Cooperating)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-
3.	PCFC	Short Term	3.00	IVR A3 (IVR A Three)	-	-	-
4.	Letter of Credit	Short Term	3.00	IVR A3 (IVR A Three)	IVR A4+; Issuer Not Cooperating (IVR A Four Plus; Issuer Not Cooperating)	IVR A3 (IVR A Three)	-

Name and Contact Details of the Rating Analyst:

Name: Nabagata Dey	Name: Neha Khan
Tel: (033) 46022266	Tel: (022) 62396023
Email: nabagata.dey@infomerics.com	Email: neha.khan@infomerics.com



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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Term Loan	-	-	March-2025	2.52	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Sept-2024	3.03	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	-	7.00	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Dec-2026	2.36	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Dec-2027	2.31	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Nov-2027	2.92	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Feb-2029	3.06	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Feb-2029	1.41	IVR BBB-/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	20.00	IVR BBB-/Stable
Short Term Bank Facilities - PCFC	-	-	-	3.00	IVR A3
Short Term Bank Facilities – Letter of Credit	-	-	-	3.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-VishalPapertech-apr23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

