Press Release

Amrit Papers Private Limited

July 25, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	165.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and removed from Rating watch with Developing implications	Simple
Total	**165.00**	**Rupees One hundred sixty-five crore Only**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has removed the rating of the bank facilities of Amrit Papers Pvt. Ltd. from 'Rating watch with developing implications' after emergence of clarity on the achievement of Commercial Operations Date (COD) for the kraft paper manufacturing unit. Earlier, the rating was placed under rating watch with developing implications to monitor the scheduled implementation of kraft paper manufacturing unit. The company has achieved the COD on May 15, 2023. These recent developments extinguish the concern led for placing the rating under rating watch with developing implications. Hence, the rating watch was resolved, and stable outlook was assigned.

The rating assigned to the bank facilities of Amrit Papers Private Limited continues to draw comfort from experience promoters and long track record of operations, increase in scale of operations of the company with improvement in profitability margins, incremental benefit arising out of capex, moderate debt protection metrics of the company along with incentives available from state government. However, these strengths are constrained by leveraged financial profile of the company, risk related to stabilization of operations, highly fragmented & competitive nature of the industry and concentration risk.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Improvement in working capital cycle

Downward Factors

- Deterioration in scale of operation and/or deterioration in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Long Track Record of Operations:

Amrit Papers Private Limited (APPL) has an operational track record from 1988. The company is promoted by Mr. Ravi Sethi and Mr. Manoj Bahety. They along with the experienced senior management, handle the day-to-day operations of the company. Long standing presence of the promoters in the industry has helped the company to build established relationships with both customers and suppliers.

Increase in scale of operations of the company with improvement in profitability margins

Total operating income (TOI) of Amrit Papers Private Limited (APPL) has increased Y-o-Y by 50% in FY23 i.e. from Rs. 177.75 Crore in FY22 to Rs. 266.78 Crore in FY23(Prov.). This increased on account of increase in sales quantity and sales realisation of paper products in FY23.

The profitability margins of the company marked by EBITDA margin increased by 127bps in FY23 i.e. from 3.56% in FY22 to 4.83% in FY23(Prov.). The operating margins improved due to high trading margins earned by the company. PAT margin increased by ~310bps in FY23 i.e. from 1.94% in FY22 to 5.04% in FY23(Prov.) in line with increase in EBIDTA margin as well as due to high non-operating income of Rs.5.30 crore.

Gross Cash Accrual of the company increased Y-o-Y by 234.22% i.e. from Rs. 4.50 Crore in FY22 to Rs. 15.04 Crore in FY23.

Incremental Benefit arising out of CAPEX

APPL has ventured into Kraft Paper Manufacturing. Earlier, its operations were restricted to trading of paper products only. Now with the commencement of operations of new unit, the profitability of the company is expected to improve with the higher mark-ups available in manufacturing activity. Total CAPEX amounts to Rs. 197.01 crore which has been funded through term loan of Rs. 114.99 crore, equity share capital including premium amounting to Rs. 28.51 crore, unsecured loan from promoters of Rs. 42.58 crore, creditor of capital goods of Rs. 5.93 crore and the remaining Rs. 5.00 crore through internal accrual. The project got completed and the commercial production started from May 15, 2023.

Moderate debt protection metrics of the company

DSCR of the company in FY23 is 4.83x (FY22: 2.41x). ISCR of the company in FY23 is 4.11x (FY22: 2.99x); improved due to higher operating profitability. Total Debt to GCA deteriorated to 12.46 years in FY23 (FY22: 10.93) due to increase in total debt in FY23.

Incentives available from State Government

The Packaging Kraft Paper Project shall be eligible for various financial incentives available from State Government of MP under their 'Investment Promotion Policy' which includes Capital Subsidy, Rebate in Power Tariff, Exemption from Electricity Duty etc.

Key Rating Weaknesses

Leveraged financial profile of the company

The Overall Gearing Ratio of the company moderated from 1.20 times as on 31-Mar-2022 to 2.75 times as on 31-Mar-2023 on account of increase in debt in FY23.

The total indebtedness of the company as reflected by TOL/TNW is 2.98x as on 31-Mar-23 (1.77x as on 31-Mar-22). This deteriorated on account of increase in debt in FY23.

Tangible Net worth of the company increased from Rs. 40.93 Crore as on 31-Mar-22 to Rs. 68.22 Crore as on 31-Mar-23. This increased due to accretion of profits to reserves and infusion of share capital of Rs. 13.50 crore by the promoters in FY23.

Risk related to stabilisation of operations

The Company has set up a greenfield project for manufacturing of kraft paper and has achieved its Commercial Operational Date (COD) in May, 2023. However, the stabilisation of operations risk persists, and achievement of projected turnover and profitability will be key monitorable.

Highly Competitive and fragmented nature of industry

The Indian paper industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

Concentration Risk

APPL’s operations are mostly concentrated in Madhya Pradesh and Gujarat with almost all of the revenue coming from the 2 states. Moreover, top 10 suppliers account for ~68% of the total purchases of the company. These factors expose the company to supplier and geographical concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

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

[Criteria of assigning rating outlook]

Liquidity – Adequate

Comments on liquidity: APPL`s liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization is ~71% during last 12 months ending June 2023 for trading operations. The current ratio of the company is moderate at 2.57x as on 31-Mar-2023(Prov.) and its operating cycle is of 53 days in FY23 (FY22: 63 days). The unencumbered cash & bank balance stood at Rs. 0.36 Crore as on March 31, 2023(Prov.).

About the Company

Amrit Papers Private Limited [erstwhile Amrit Agencies (Indore) Pvt Ltd.] was incorporated in 1995 with object to deal in paper products. Earlier, the business was running as partnership concern since 1988 and then converted into private limited company in 1995 with a view to broad base the business profile & capital base. The company has implemented a Packaging Kraft Paper Manufacturing Unit with 400TPD exclusively to serve the demand of packaging units located in Central India region and has commenced operations from May, 2023.

Financials (Standalone):

For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	177.75	266.78
EBITDA	6.33	12.89
PAT	3.47	13.71
Total Debt	49.21	187.49
Tangible Net Worth	40.93	68.22
Ratios		
EBITDA Margin (%)	3.56	4.83
PAT Margin (%)	1.94	5.04
Overall Gearing Ratio (x)	1.20	2.75

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: NIL

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (April 27, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	115.00	IVR BBB-/ Stable	IVR BBB- /RWDI*	-	--
2.	Cash Credit	Long Term	50.00	IVR BBB- /Stable	IVR BBB- /RWDI*	-	--

**RWDI-Rating Watch with Developing implications*

Name and Contact Details of the Rating Analyst:

Name: Pratima Jangid Tel: (011) 45579024 Email: pratima.jangid@infomerics.com	Name: Harsh Raj Sankhla Tel: (011) 45579024 Email: harshraj.sankhla@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change,withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility-Cash Credit	-	-	-	50.00	IVR BBB-/Stable
Long Term Bank Facility-Term Loan	-	-	June 2030	115.00	IVR BBB-/Stable

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-amrit-jul23.pdf

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

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.