



Press Release

Chadha Papers Limited [CPL]

April 29, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facilities	39.68 (Reduced from INR 43.00 Crore)	IVR BB +/- Stable Outlook (IVR Double B Plus with Stable Outlook)	Revised from IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
2	Short Term Non-Fund Based Facilities	30.00	IVR A4+ (IVR A Four Plus)	Revised from IVR A3 (IVR Single A Three)
3	Proposed Short Term Fund Based Facilities	3.32	IVR A4+ (IVR A Four Plus)	Assigned
	Total	73.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings of bank facilities of Chadha Papers Limited takes into account the substantial decline in profitability for FY20 & subdued operating & financial performance in 9MFY21. The deterioration in the overall performance is mainly due to disruptions caused by ongoing Covid-19 pandemic and subsequently nationwide lockdown in March -2020.

The rating continues to derive strength from the experienced & resourceful promoters and management team, Comfortable cash conversion cycle, diversified product profile. The rating however is constrained by cyclicity inherent in the paper industry and raw material price risk and intense competition.

Key Rating Sensitivities:

Upward Factor

- Significant and Sustained improvement in revenue and/or profitability leading to improvement in overall debt protection metrics.



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Downward Factor

- Substantial decline in revenue and/or profitability leading deterioration in debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced & resourceful promoters and management team

Chadha Papers Limited (CPL) was established in 1990 and it is promoted by owners of wave group, which is a leading business conglomerate across diverse sectors. The key promoter of the company is Rajinder Chadha, son of wave group founder Mr. Kulwant Singh Chadha. The company business is run by an experienced management team that has more than one decade experience in paper and related industry.

Further, The promoter has been able to pump in equity and/or unsecured loans as on when required reflects resourcefulness of the promoters the promoters has increased Preference shares + Unsecured Loans (Quasi Equity) from INR123.21 crore in FY-20 to INR138.48 crore on 30th September, 2020 to meet the losses and support the business requirements.

Comfortable Cash Conversion Cycle

CPL has an average inventory holding days in the range of 25-30 days as it works on order-based model and also it has strong tie-up with waste paper suppliers which is the main raw material used by the company. These all factors contribute to maintaining a good operating cycle.

Diversified Product profile

Chadha Papers Limited (CPL) is present in the kraft as well as writing and printing paper (WPP) segments. It has manufacturing capacity of 100 MT per day of Absorbent kraft paper, 150 MT per day of kraft paper only and 150 MT of newsprint/Writing Paper. The diversified product profile helps to maintain a healthy mix of revenue. It has established its presence in the paper industry and has done a significant amount of capex in last few years.



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Key Rating Weaknesses

Decline in revenue albeit improving after 9MFY21

The total operating income of CPL declined Y-O-Y in 9MFY21 revenue as compared to 9MFY20 i.e., from INR309.21 cr in 9MFY20 to INR195.39 cr in 9MFY21 at an annualized rate of 36.81% due to the supply chain shock and muted demand of papers due to nationwide lockdown. However, CPL has started seeing the operations normalization from the month of Dec- 20 with new orders coming in and business restoring to pre-covid levels.

Cyclicalities inherent in the paper industry

The Indian paper industry is small as compared to the global scale and domestic paper prices are largely determined by the international trends. Hence, global demand-supply balance impacts the price trend of the domestic industry.

Raw material price risk and intense competition

The key raw material used by the company is wastepaper, prices of which are increasing over the last six months. Further, the paper industry is highly fragmented and intensely competitive. So, the incremental raw material cost cannot be transferred to consumers due to intense competition.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

The liquidity position of the company remained stretched marked by current ratio of 1.00x and quick ratio of 0.74x as on 31st March, 2020. CPL's fund based working capital utilization was high at around 94.55 % for the last twelve months ended December, 2020. However, liquidity is supported by infusion of unsecured loans from promoters as and when required.



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About the Company

Chadha Papers Limited (CPL), established in 1990, is an Uttar Pradesh based company promoted by members of the Chadha Family. The company is a part of the Wave Group, which is a leading business conglomerate across diverse sectors. Chadha Papers Limited is engaged in the manufacturing of different kinds of papers such as Kraft, Absorbent Kraft, Writing and Printing, and News Print papers

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	414.77	425.54
EBITDA	17.91	7.90
Adjusted PAT**	5.65	-3.56
Total Debt	63.29	55.28
Tangible Net-worth	81.78	82.31
EBITDA Margin (%)	4.32	1.86
PAT Margin (%)	1.36	-0.83
Overall Gearing Ratio (x)	1.34	1.21

* Classification as per Infomerics' standards

**Adjusted PAT- There were adjustments done in both FY-19 & FY20 due to notional Interest expense and Notional interest Income as there was a change in accounting standards as company has moved from IND-GAAP to IND-AS in FY-18.

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating (s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (December 25, 2019)	Date(s) & Rating(s) assigned in 2018-19



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1.	Fund Based Facility – Term Loan	Long Term	8.18(Reduced from 11.50 Cr)	IVR BB+/Stable Outlook	--	IVR BBB-/Stable Outlook	--
2	Fund Based Facility – Cash Credit	Long Term	30.00	IVR BB+/Stable Outlook	--	IVR BBB-/Stable Outlook	--
3	Fund Based Facility- Credit Exposure Limit	Long Term	1.50	IVR BB+/Stable Outlook	--	IVR BBB-/Stable Outlook	--
4	Non-Fund Facilities- Letter of Credit/Buyer's Credit	Short Term	3.00	IVR A4+	--	IVR A3	--
4	Proposed Non-Fund Based Facilities- Letter of Credit	Short Term	3.32	IVR A4+	--	--	--

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	8.18	NA	NA	October-2022	IVR BB+/Stable Outlook
Long Term Fund Based Facility -Cash Credit	30.00	NA	NA	--	IVR BB+/Stable Outlook
Long term Fund Based Facilities-Credit Exposure Limit	1.50	NA	NA	--	IVR BB+/Stable Outlook
Short Term Non-Fund Based Facilities-Letter of Credit/Buyer's credit	30.00	NA	NA	--	IVR A4+
Proposed Short Term Non-Fund Based Facilities- Letter of Credit	3.32	NA	NA	--	IVR A4+

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Chadha-Papers-lenders-29apr21.pdf>