



## Press Release

**Janki Newsprint Private Limited**

**July 10, 2023**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	56.22	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	10.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Bank Facilities	0.78	IVR A3 (IVR A Three)	Reaffirmed, Reclassified from Long Term/Short-Term	Simple
<b>Total</b>	<b>67.00</b>	<b>Rupees Sixty-Seven Crore Only.</b>		

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The reaffirmation of the ratings assigned to the bank facilities of Janki Newsprint Pvt. Ltd. take into account experienced promoters with established track record in the business, moderate capital structure and debt protection metrics, growing scale of operations with moderate profitability and favourable outlook for Paper industry.

The ratings, however, are constrained by risk of cyclicalities inherent in the paper industry, low entry barriers with high competition from organized and unorganized players and susceptibility of company's margins to volatility in prices of raw material.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



## Press Release

- Improvement in the capital structure with further improvement in debt protection metrics.

### **Downward Factors**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Promoters with established track record in the business**

The company is promoted by Mr. Anand Prakash, Mr. Amit Garg, Mr. Ashok Garg and Mr. Sumit Garg. The promoters have relevant and vast experience respectively in paper industry specifically in kraft paper business. The long-standing experience of the management has also resulted in established relationship with customers resulting in repeat orders.

##### **Moderate capital structure and debt protection metrics**

The financial risk profile of the company remained moderate marked by its moderate gearing ratio and adequate debt protection metrics. The overall gearing ratio stood at 0.96x as on March 31, 2023(P) as against 1.56x as on March 31, 2022. Further, total indebtedness of the company as reflected by TOL/TNW stood moderate at 1.43x as on March 31, 2023(P) as against 2.44x as on March 31, 2022. Unsecured loans to the tune of Rs. 10 crore as on March 31, 2023 have been considered as quasi-equity as the same are subordinate to bank debt. The debt protection metrics of the company stood moderate in FY23(P) with healthy interest coverage at 4.93x (15.93x in FY22) and DSCR at 2.13 times (3.66x in FY22) in FY23(P). Total Debt to GCA improved and stood at 4.46 years in FY23 as against 8.09 years in FY22.

##### **Growing scale of operations with moderate profitability**

The Total Operating Income of the company increased Y-o-Y by 21% i.e. from Rs. 278.75 Crore in FY22 to Rs. 336.88 Crore in FY23 due to increase in sales volume of kraft paper. EBITDA increased from Rs. 8.79 Crore in FY22 to Rs. 16.38 Crore in FY23. The company reported net profit of Rs. 6.51 Crore in FY23 as against Rs. 5.90 Crore in FY22. The Gross Cash Accrual of the company increased from Rs. 7.10 Crore in FY22 to Rs. 11.44 Crore in



## Press Release

FY23. The profitability margins of the company like EBITDA margin stood at 4.86% in FY23(P) as compared to 3.15% in FY22. PAT margin decreased to 1.93% in FY23 (P) as compared to 2.12% in FY22 due to increase in interest expenses and depreciation.

### **Favourable outlook for Paper industry**

The kraft papers are mainly used in packaging sector. The kraft paper industry in India is expected to witness growth in future as the government of India has started putting nationwide curbs on use of single use plastic and endorsed many awareness programmes on less usage of plastic, which will indirectly push demand for the kraft paper manufacturing industries. Also, changing consumer preferences towards convenient packaging solutions along with sustainability in mind will diminish the demand for plastic packaging and hence fuel the paper and paperboard industry.

### **Key Rating Weaknesses**

#### **Cyclicality 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. 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.

#### **Low entry barriers with high competition from organized and unorganized players**

The paper and packaging industry is intensely competitive with numerous unorganized 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.

#### **Susceptibility of company's margins to volatility in prices of raw material**

The company's profitability is susceptible to raw material price fluctuation risk. The major raw material is scrap/used papers, the prices of these are volatile and vary depending on the demand-supply situation domestically and globally. Any increase in the price, if not passed on, may adversely affect the company's profit margins.

**Analytical Approach:** Standalone



## Press Release

### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. Its working capital limits remained moderately utilised at around ~54% during the past twelve months ended May 2023. The Current Ratio of the company stood at 1.07x as on March 31, 2023. The unencumbered cash and bank balance as on 11th June 2023 is Rs. 0.13 Crore. The cash operating cycle of the company is of 12 days in FY23 (10 days in FY22).

### **About the Company**

Janki Newsprint Private Limited carries on the business of manufacturing kraft paper. The company initially had set up Writing / Printing Paper/Kraft Paper Unit, with an installed capacity of 16500 MT P.A. in the year 2003. Keeping in view, the growing demand of paper products, market trend and competition, the company had gone for further expansion and installed another unit of capacity of 16500 MT PA in the year 2006-07. Later on, by adding new parts and some balancing equipment, the company increased the capacity of the above units to 132,000 MT PA. Both the above units are running successfully as of date. The company also operates an 8 MW biomass and coal turbine power plant for captive consumption.

### Financials (Standalone):

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	278.75	336.88
EBITDA	8.79	16.38
PAT	5.90	6.51
Total Debt	57.41	51.03
Tangible Net Worth	36.86	53.37
<b>Ratios</b>		
EBITDA Margin (%)	3.15	4.86



## Press Release

PAT Margin (%)	2.12	1.93
Overall Gearing Ratio (x)	1.56	0.96

\*Classification as per infomerics' standards

### Status of non-cooperation with previous CRA:

Crisil vide its press release dated 15<sup>th</sup> March 2023 has continued to classify the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information:** Not Applicable

### 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 (April 12, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-20
1.	Working Capital Term Loan	Long Term	0.81	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2.	Working Capital Demand Loan*	Long Term	(6.00)	IVR BBB-/Stable	IVR BBB-/Stable	-	-
3.	Term Loan	Long Term	39.06	IVR BBB-/Stable	IVR BBB-/Stable	-	-
4.	Term Loan (Proposed)	Long Term	5.35	IVR BBB-/Stable	-	-	-
5.	Cash Credit	Long Term	11.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
6.	Performance BG*	Short Term	(0.55)	IVR A3	IVR A3	-	-
7.	Letter of Credit	Short Term	10.00	IVR A3	IVR A3		
8.	Proposed LC/BG	Short Term	0.78	IVR A3	IVR BBB-/Stable/IVR A3	-	-





## Press Release

### Name and Contact Details of the Rating Analyst:

Name: Darshana Mathur	Name: Harsh Raj Sankhla
Tel: (011) 45579024	Tel: (011) 45579024
Email: <a href="mailto:darshana.mathur@infomerics.com">darshana.mathur@infomerics.com</a>	Email: <a href="mailto:harshraj.sankhla@infomerics.com">harshraj.sankhla@infomerics.com</a>

### 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](http://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.



## Press Release

### 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- Working Capital Term Loan	-	-	March 2025	0.81	IVR BBB-/Stable
Long Term Bank Facility- Term Loan	-	-	March 2029	44.41	IVR BBB-/Stable
Long Term Bank Facility-Cash Credit	-	-	-	11.00	IVR BBB-/Stable
Short Term Bank Facility- Letter of Credit	-	-	-	10.00	IVR A3
Short Term Bank Facility	-	-	-	0.78	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-janki-newsprints-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](http://www.infomerics.com).