



## Press Release

### Janki Newsprint Private Limited

April 12, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	23.75	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	4.00	IVR A3 (IVR A three)	Assigned	Simple
Long Term/ Short Term Bank Facilities	0.75	IVR BBB-/ Stable/ IVR A3 (IVR triple B minus with Stable Outlook and IVR A three)	Assigned	Simple
<b>Total</b>	<b>28.50</b> <b>(INR Twenty-eight</b> <b>crores fifty lakhs</b> <b>Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Janki Newsprint Private Limited (JNPL) considers the experience of promoters with established track record in the business, conservative capital structure and comfortable debt protection metrics, stable financial performance and profitability and favourable outlook of kraft paper industry. However, the ratings are constrained by relatively moderate scale of current operations, cyclicity inherent in the paper industry and low entry barriers with high competition from organized and unorganized players.

#### 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.
- 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.



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- 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 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.

##### **Conservative capital structure and Comfortable debt protection metrics**

The company's capital structure remained conservative as reflected by an overall gearing of 0.61x (0.34x as on March 31, 2020) as on March 31, 2021. The adjusted net worth of company stood at Rs. 34.16 crore as on March 31, 2021. TOL/TNW also stood comfortable at 1.33x as on March 31, 2021. The debt protection parameters also remained healthy with interest coverage ratio of 15.74x and DSCR of 1.97x in FY21. Total debt/GCA also stood comfortable at 4.08 years in FY21.

##### **Stable financial performance and profitability**

The company has achieved a stable topline during last year despite disruption in activities because of Covid-19 pandemic. The company reported a topline of Rs.123.23 crores in FY21 against Rs.118.83 crores in FY20. The profitability of the company also improved in FY21 as EBITDA margin and PAT margin stood at 4.29% (FY20:3.99%) and 2.64% (FY20:2.41%)

##### **Favourable outlook for kraft paper industry**

The kraft papers are mainly used in packaging sector. The industry in India is expected to witness a significant 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



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sustainability in mind will diminish the demand for plastic packaging and hence fuel the paper and paperboard industry.

### **Key Rating Weaknesses**

#### **Relatively moderate scale of current operations**

The company despite being in business for over 15 years, its scale of operations has remained moderate as indicated by its topline which stands at Rs 123.23 crores in FY21. However, during 9M FY2022 (provisional), the topline increased to Rs. 189.85 crore on account of improvement in demand and realisation. Infomerics expects the topline and profits to increase in FY2023, given the commencement of tissue paper plant from March 2022.

#### **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. 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.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

#### **Liquidity: Adequate**

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation



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during FY22-24. The company is expected to earn Gross Cash Accruals (GCA) of Rs.7.16 crore in FY22 as against its repayment obligation of Rs.2.98 crore. Its working capital limits utilisation stood moderate as the company utilized around 44% of its limits during the past twelve months ended February 2022.

### **About the Company**

Janki Newsprint Private Limited was originally incorporated in 2000 as M/s Sumit Agro Products Limited. The company was later renamed as Janki Newsprint Limited in year 2010 which eventually became Janki Newsprint Private Limited in year 2021. It manufactures kraft paper at its facility in Meerut, Uttar Pradesh with an installed capacity of 82,500 MTPA. The company has also started manufacturing of tissue paper at the same facility with an installed capacity of 33,000 MTPA from March 2022. The company also operates a 3 MW turbine power plant for captive consumption, and is in the process to expand it to 8 MW.

<b>Financials (Standalone)</b>	<b>(Rs. crore)</b>	
<b>For the year ended* / As On</b>	<b>31-03-2020</b>	<b>31-03-2021</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	118.83	123.23
EBITDA	4.74	5.29
PAT	2.87	3.26
Total Debt	9.32	18.79
Tangible Net worth	27.70	30.96
EBITDA Margin (%)	3.99	4.29
PAT Margin (%)	2.41	2.64
Overall Gearing Ratio (x)	0.34	0.61
Interest Coverage Ratio (x)	16.58	15.74

*\*Classification as per Infomerics' standards.*

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

CRISIL Ratings has migrated the ratings on bank facilities of JNPL to Issuer not cooperating on account of inadequate information and lack of management cooperation as per the press release dated January 30, 2022.

**Any other information: NIL**



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### Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	17.75	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	6.00	IVR BBB-/ Stable			
3.	Working Capital Demand Loan*	Long Term	(6.00)	IVR BBB-/ Stable	-	-	-
4.	Letter of Credit	Short Term	4.00	IVR A3			
5.	Performance Bank Guarantee*	Short Term	(0.25)	IVR A3			
6.	Unallocated Limits	Long Term/ Short Term	0.75	IVR BBB-/ Stable/ IVR A3	-	-	-

\*Sublimit of Cash Credit

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### About Infomerics:

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).





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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](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, suspend or 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 (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	17.75	IVR BBB-/ Stable
Cash Credit	-	-	-	6.00	IVR BBB-/ Stable
Working Capital Demand Loan*	-	-	-	(6.00)	IVR BBB-/ Stable
Letter of credit	-	-	-	4.00	IVR A3
Performance Bank Guarantee*	-	-	-	(0.25)	IVR A3
Unallocated Limits	-	-	-	0.75	IVR BBB-/ Stable/ IVR A3

\*Sublimit of Cash Credit

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



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**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Janki-Newsprint-Apr22.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).

