

April 07, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|---|--------------------|----------------------------------|
| Cash Credit | 13.50 | SMERA B/Stable (Assigned) |
| Term Loan | 7.26 | SMERA B/Stable (Assigned) |
| Foreign Letter of Credit/Inland Letter of Credit | 10.00 | SMERA A4 (Assigned) |
| Inland Letter of Credit under Negotiation | 5.00 | SMERA A4 (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA single B**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of Chadha Papers Limited (CPL). The outlook is '**Stable**'. CPL's ratings are primarily constrained by weak operating performance during FY2010-11 to FY2013-14; the company's ability to register sustained recovery remains to be seen. The ratings are also constrained by the company's exposure to intense competition. However, the ratings draw comfort from the company's experienced management.

CPL, incorporated in 1992, is an Uttar Pradesh-based company engaged in manufacturing of kraft paper, semi-kraft paper, writing and print paper, and newsprint. The overall operations of the company are currently managed by Mr. Rajinder Singh Chadha.

CPL registered losses at operating and net levels during FY2010-11 to FY2013-14. There were no revenues in the books of the company in FY2013-14; however, CPL has registered sales of Rs.68.10 crore (provisional) and net cash accruals of Rs.2.15 crore (provisional) during April 2014 to September 2015. The company's ability to achieve sustained improvement in business and financial profile is a key rating sensitivity. CPL faces intense competition from several players in the paper industry.

CPL is poised to benefit from its experienced management. Mr. Rajinder Singh Chadha, director of CPL, has around two decades of experience in the paper industry.

Outlook: Stable

CPL's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers significant and sustained improvement in profitability and cash accruals. The outlook may be revised to 'Negative' in case of decline in the company's revenues and cash accruals.

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About the company

CPL, incorporated in 1992, is an Uttar Pradesh-based company promoted by members of the Chadha family (owners of the Wave Group of Companies). CPL is engaged in manufacturing of kraft paper, semi-kraft paper, writing and print paper, and newsprint. The company has a manufacturing unit in Bilaspur, Uttar Pradesh.

FY2013-14, CPL reported net loss of Rs.6.33 crore (on zilch operating income), as compared with net loss of Rs.66.34 crore on operating income of Rs.8.16 crore in FY2012-13. The company's net worth stood at Rs.49.58 crore (including unsecured loan of Rs.98.88 crore) as on March 31, 2014, as compared with Rs.12.49 crore (including unsecured loan of Rs.55.45 crore) a year earlier.

Contact List:

| Media/Business Development | Analytical Contacts | Rating Desk |
|---|---|--|
| Virendra Goyal Vice President – SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in | Parimal Thakker Manager – Corporate Ratings Tel: +91-11-41806663 Email: parimal.thakker@smera.in | Tel: +91-22-6714 1170 Email: ratingdesk@smera.in |

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