

## Press Release

Saffron Specialty Papers Private Limited

July 13, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.50	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	7.50	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	14.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 14.00 crore bank facilities of Saffron Specialty Papers Private Limited (SSPPL). The outlook is 'Stable'.

### Rationale for rating assigned

The ratings reaffirmation takes into account the consistent operating and financial performance of SSPPL. The operating income stood at Rs.119.80 Cr in FY2022 (Prov.) as against Rs.110.81 Cr in FY2021. The financial risk profile continues to remain moderate and operations working capital intensive. SSPPL's overall gearing and gross current asset days stood at 1.21 times and 129 days respectively as on March 31, 2022 (Prov.).

### About the Company

Maharashtra based, Saffron Specialty Papers Private Limited (SSPPL) was incorporated in the year 2008. It is engaged in the manufacturing of paper and paper products in India and abroad. The company is also engaged in the trading of pulses and other agro-based commodities. The company is promoted by Mr. Vikash Agarwal and Mr. Rajesh Agarwal.

### Analytical Approach

Acuite has considered the standalone view of business and financial risk profiles of SSPPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

Established track record of operations and experienced management

Incorporated in 2008, SSPPL is promoted by Mr. Vikash Agarwal and Mr. Rajesh Agarwal who have an experience of more than two decades in the aforementioned industry. The extensive experience of the promoters, their active participation and in-depth understanding of the industry, has helped SSPPL in developing long-term relationships with its customers and suppliers. The revenue of the company stood at Rs.119.80 crore in FY22 (Prov.) as against Rs.110.81 crore in FY21. The increase in revenue is majorly on account of healthy demand. The company earns ~70 percent revenue from manufacturing of paper products and balance ~30 percent from trading of pulses and other agro based commodities. The operating profitability margins stood at 3.93 percent in FY2022 (Prov.) as against 2.32 percent in FY2021.

Acuité believes that SSPPL will continue to benefit from its established track record of operations and extensive experience of the promoters in the industry.

### **Moderate financial risk profile**

SSPPL has moderate financial risk profile marked by tangible net worth of Rs.24.39 crore as on March 31, 2022 (Prov.) as against Rs.17.72 crore as on March 31, 2021. The gearing level of the company remained moderate at 1.21 times as on March 31, 2022 (Prov.) as against 0.89 times as on March 31, 2021. The total debt outstanding of Rs.29.49 crore consists of working capital borrowings of Rs.12.52 crore, unsecured loan from promoters of Rs.4.14 crore and term loan of Rs.12.72 crore as on March 31, 2022 (Prov.). The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.45 times as on March 31, 2022 (Prov.) against 1.32 times as on March 31, 2021. The Interest Coverage Ratio (ICR) stood at 2.79 times for FY22 (Prov.) as against 1.79 times for FY21. The Debt Service Coverage Ratio (DSCR) and Net Cash Accruals to Total Debt (NCA/TD) stood at 1.54 times and 0.03 times respectively for FY22 (Prov.) as against 1.59 times and 0.06 times respectively for FY21.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term.

### **Weaknesses**

#### **Working capital intensive nature of operations**

SSPPL has working capital intensive nature of operations, as reflected by gross current days of 129 days as on March 31, 2022 (Prov.) as against 123 days as on March 31, 2021. The GCA days are driven by high inventory and debtor days. The inventory holding period days stood at 91 days as on March 31, 2022 (Prov.) as against 32 days as on March 31, 2021, while the debtors days stood at 16 days as on March 31, 2022 (Prov.) as against 44 days as on March 31, 2021. SSPPL generally extends a credit period of seven to ten days for its agro based commodities and a credit period of around fifteen days for its paper products. The creditor days of the company stood at 20 days as on March 31, 2022 (Prov.) as against 27 days as on March 31, 2021.

Acuité believes any further elongation of working capital cycle of SSPPL will be a key rating sensitivity.

#### **Competitive and fragmented nature of industry**

SSPPL operates in intensively competitive industry where there is huge number of organized and unorganized players compete. The entry barriers are very low and any fluctuation in raw material price would limit the ability to pass on the price increase due to intense competition.

### **Rating Sensitivities**

- Elongation in working capital cycle
- Improvement in scale of operations while maintaining profitability margins and capital structure.

### **Material covenants**

None

### Liquidity Position: Adequate

SSPPL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.1.01 crore in FY22 (Prov.) compared against maturing debt obligations of Rs.0.28 crore. The cash accruals of the company are estimated to remain around Rs.1.00-3.00 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of 0.75 – 1.59 crore during the same period. The average utilization of the working capital limits of the company remained on the higher side of ~91 percent in last nine months ended May' 22. Furthermore, the company maintains unencumbered cash and bank balances of Rs.2.68 crore as on March 31, 2022 (Prov.) and the current ratio stood at 2.22 times as on March 31, 2022 (Prov.).

### Outlook: Stable

Acuité believes that SSPPL will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to extensive experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected improvement in its scale of operations while maintaining its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case the Company registers lower-than-expected improvement in its scale of operations or in case of significant elongation of its working capital cycle thereby impacting the liquidity profile of the Company.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	119.80	110.81
PAT	Rs. Cr.	0.69	0.61
PAT Margin	(%)	0.58	0.55
Total Debt/Tangible Net Worth	Times	1.21	0.89
PBDIT/Interest	Times	2.79	1.79

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Apr 2021	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BB-   Stable (Upgraded from ACUITE B)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)

28 Jan 2021	Packing Credit	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	6.50	ACUITE B (Issuer not co-operating*)
15 Nov 2019	Cash Credit	Long Term	9.00	ACUITE B (Issuer not co-operating*)
	Packing Credit	Short Term	0.50	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
25 Sep 2018	Cash Credit	Long Term	6.50	ACUITE B   Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Assigned)
	Packing Credit	Short Term	1.50	ACUITE A4 (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Vaishnavi Deshpande Management Trainee-Rating Operations Tel: 022-49294065 <a href="mailto:vaishnavi.deshpande@acuite.in">vaishnavi.deshpande@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.