

Press Release

Saffron Specialty Papers Private Limited

December 20, 2022



Rating Reaffirmed & Withdrawn

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| Bank Loan Ratings | 6.50 | ACUITE BB- Reaffirmed & Withdrawn | - |
| Bank Loan Ratings | 7.50 | - | ACUITE A4 Reaffirmed & Withdrawn |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| Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.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The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

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 company has seen an improvement in the revenue by 8.57% growth. The revenue of the company rose to Rs.120.31 crore in FY2022 from Rs.110.81 crore in FY2021. The EBITDA and PAT Margins of the company has remained in line though improved. The EBITDA Margins of the company stood at 2.39 percent in FY2022 as against 2.32 percent in FY2021. The PAT Margins stood at 0.59 percent in FY2022 as against 0.55 percent in FY2021. The ROCE of the company stood at 6.10 percent in FY2022.

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

>Financial risk profile-moderate

The financial risk profile of the company stood moderate marked by moderate net worth, rise in gearing and comfortable debt protection metrics. The tangible net worth stood moderate at Rs.14.73 crore as on 31 March 2022 as against Rs.17.72 crore as on 31 March, 2021. Total debt of the company stood at Rs.37.68 crore as on 31 March 2022 as against Rs.15.82 crore as on 31 March, 2021. Total debt comprises of long-term debt of Rs 12.82 crore, short-term debt of Rs 16.31 crore and USL from directors of Rs 8.55 crore. Due to the rise in total debt the gearing (debt-equity) of the company rose to 2.56 times as on 31 March 2022 as against 0.89 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.08 times as on 31 March 2022 as against 1.32 times as on 31 March 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.03 times as on 31st March FY2022 as against 0.06 times as on 31st March 2021. Debt protection metrics of the company is marked comfortable with Interest Coverage Ratio at 1.76 times in FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.39 times in FY2022.

Weaknesses

>Working capital management - stretched

The working capital requirements of the company is marked stretched though remained in line as the GCA days stood at 122 days as on March 31, 2022 as against 123 days as on March 31, 2021.. The GCA days are driven by high inventory days. The Inventory days stood at 78 days as on March 31, 2022 as against 32 days as on March 31, 2021. The debtors day stood at 30 days as on March 31, 2022 as against 44 days as on March 31, 2021. The Creditors day stood at 25 days as on March 31, 2022 as against 27 days as on March 31, 2021.

>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. This can adversely impact the operations and profitability of the company.

Rating Sensitivities

>Significant improvement in scale of operation while maintaining its profitability margins

>Elongation in working capital cycle

>Moderate financial risk profile and adequate profitability margins

Material covenants

None

Liquidity Position

Adequate

The company's liquidity profile is adequate marked by adequate net cash accruals of Rs.1.04 Cr in FY2022 against its maturing debt obligation of Rs.0.28 cr in the same period . The firm maintains unencumbered cash and bank balances of Rs. 0.98 crore as on March 31, 2022. The current ratio of the company stood moderate at 1.68 times as on March 31, 2022 as against 1.82 times as on March 31, 2021.

Outlook:

Not Applicable

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 120.31 | 110.81 |
| PAT | Rs. Cr. | 0.71 | 0.61 |

| | | | |
|-------------------------------|-------|------|------|
| PAT Margin | (%) | 0.59 | 0.55 |
| Total Debt/Tangible Net Worth | Times | 2.56 | 0.89 |
| PBDIT/Interest | Times | 1.76 | 1.79 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|----------------------------------------------|
| 13 Jul 2022 | Letter of Credit | Short Term | 6.00 | ACUITE A4 (Reaffirmed) |
| | Cash Credit | Long Term | 6.50 | ACUITE BB- Stable (Reaffirmed) |
| | Packing Credit | Short Term | 1.50 | ACUITE A4 (Reaffirmed) |
| 16 Apr 2021 | Letter of Credit | Short Term | 6.00 | ACUITE A4 (Reaffirmed) |
| | Packing Credit | Short Term | 1.50 | ACUITE A4 (Reaffirmed) |
| | Cash Credit | Long Term | 6.50 | ACUITE BB- Stable (Upgraded from ACUITE B) |
| 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 | 6.50 | ACUITE B (Issuer not co-operating*) |
| | 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*) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------|----------------|------------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------------|
| Canara Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 6.50 | ACUITE BB- Reaffirmed & Withdrawn |
| Canara Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 6.00 | ACUITE A4 Reaffirmed & Withdrawn |
| Canara Bank | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | Simple | 1.50 | ACUITE A4 Reaffirmed & Withdrawn |

Contacts

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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.

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