

Press Release

Neo Paper Mill Private Limited

October 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 10.00 crore bank facilities of Neo Paper Mill Private Limited (NPMPL). The outlook is '**Stable**'.

The Kolhapur based, NPMPL was incorporated in 2012. The company is promoted by Mr. Rajiv Kadapatti (Managing Director). The company is a manufacturer of kraft paper used in making corrugated boxes which are mainly used in packaging. However, the operations have not yet started due to delay in project. The operations are expected to start by March 2019. The manufacturing facility is located in Vapi (Gujarat) with an installed capacity of 40 metric tons per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Neo Paper Mill Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Qualified management**

Mr. Rajiv Kadapatti is the managing director of the company with over two decades of experience in the processing industry. He has done Bachelor in Science (Bsc.) and Masters of Management Studies (MMS) from Symbiosis, Pune. Acuité believes that NPMPL will benefit from its qualified and experienced management in the aforementioned industry.

- **Increasing demand in Paper Industry**

The demand in paper industry is growing due to increasing awareness for recycling of waste paper and export of kraft paper to China is expected to increase mainly because of ban on waste paper imports in China by March 2020. This is already helping the Indian Paper Industry.

Weaknesses

- **Project execution and implementation risk**

NPMPL is setting up a plant at Vapi (Gujarat). The total project cost is ~Rs.7.65 crore. The project is expected to be funded partly through term loan from bank of Rs. 4.97 crore, equity infusion of Rs. 1.53 crore and unsecured loan of Rs. 1.15 crore. The term loan of Rs. 3.89 crore is disbursed till August 2018 and the promoter has already infused capital of Rs. 1.53 crore and unsecured loans of Rs. 1.15 crore in the business as on August 2018. Further, the promoter has bought in additional unsecured loans of Rs. 1.10 crore. The commercial date of operations for this project is expected to be March 2019. Any significant delays in implementation of the project or achieving the commercial operations will impact the debt protection indicators. Acuité believes that the timely completion of the project and generation of sufficient net cash accruals in order to repay its debt obligation will be a key rating sensitivity.

Outlook: Stable

Acuité believes that NPMPL will maintain a 'Stable' outlook over the near to medium term on the back of experienced management and the advanced stage of financial closure with promoters funds being already infused. The outlook may be revised to 'Positive' if NPMPL commissions the project in time and exhibits higher than expected flow of orders. Conversely, the outlook may be revised to 'Negative' if there are delays in commissioning of the project.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	-0.01	-0.01	-0.01
PAT	Rs. Cr.	0.09	-0.01	-0.01
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	2.25	-2.60	-0.94
Total Debt/Tangible Net Worth	Times	0.79	1.16	0.21
PBDIT/Interest	Times	309.11	0.00	-0.51
Total Debt/PBDIT	Times	36.12	-25.01	-20.43
Gross Current Assets (Days)	Days	0	0	0

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

ICRA, vide its press release dated Sept 08, 2017 had denoted the rating of Neo Paper Mill Private Limited as 'ICRA B- /Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.14	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.97	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.53	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE A4

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About Acuité Ratings & Research:

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