

Press Release

Balaram Papers Private Limited

September 21, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.70	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	14.30	ACUITE BB+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 Cr. bank facilities of Balaram Papers Private Limited. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings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 Company

Gujarat-based Balaram Papers Private Limited (BPPL) was incorporated in 2015. In July 2018, APBL has taken over operations of BPPL in a brown field expansion project. The company is engaged in manufacturing of 'manufacturing paper', known as kraft paper used in packaging industries. The company has its plant located at Mehasana, Gujarat.

About the Group

Gujarat-based, Astron Paper and Board Mill Limited (APBML) was incorporated in December 2010 and started its commercial operations from December 2012. The company is promoted by Mr. Kirit Patel, Mr. Karshanbhai Patel, Mr. Ramakant Patel and Asian Granito India Limited. The company is engaged in manufacturing of 'manufacturing paper', known as kraft paper used in packaging industries. The company has 3 plants in Gujarat, Halvad and Bhuj. The product line of the company is from 12 BF to 40 BF and 80 GSM to 350 GSM.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profile of APBML and BPPL, hereafter referred to as the Astron Group (AG). Astron Paper and Board Mill Limited has taken over Balaram Paper Private Limited in July, 2018 and BPPL has been classified as 100 per cent subsidiary of Astron Paper and Board Mill Limited. The consolidation is mainly on account

of similarity in the line of business, strong operational and financial synergies and common management

Key Rating Drivers

Strengths

> Experienced management

AG was incorporated in 2010 by Mr. Kirit Patel, Mr. Ramakant Patel and Mr. Karshanbhai Patel among others. The company is engaged in manufacturing of kraft paper using waste paper as its major raw material. APBL started its commercial operations in December 2012, while BPPL was taken over by APBL as a part of brown field expansion in July 2018. The promoters possess industry experience of over two decades. Before incorporation of APBL, Mr. Kirit Patel possesses industry experience via its proprietorship concern, namely, Mitul Enterprises that was engaged in paper packing from the year 1997 to 2015. Mr. Kirit Patel currently looks after the entire operations including strategic initiatives of the company. Mr. Ramakant Patel also has industry experience of two decades in paper packaging industry and looks after the marketing strategies of the company. Acuité believes that the group will benefit from its experienced management, which helps group to maintain long-standing relationship with its customers and suppliers.

> Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, low gearing and modest debt protection metrics. The tangible net worth stood at Rs.187.25 as on 31 March 2022 as against Rs.178.74 crore as on 31 March 2021. Total debt of the company stood at Rs.86.90 cr as on 31 March FY2022 as against Rs.67.38 Cr in FY2021.. Total debt of the company stood at Rs.86.90 cr as on 31 March 2022, comprising of Rs 7.96 crore of long term debt, Rs.10.68 crore of unsecured loan and Rs.65.55 crore of short term debt. Gearing (debt-equity) stood at 0.46 times as on 31 March 2022 as against 0.38 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.97 times as on 31 March 2022 as against 0.87 times as on 31 March, 2021. Debt protection metrics of the company is marked modest marked by Interest Coverage Ratio of 2.84 times for FY2022 as against 2.92 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 1.43 times in FY2022 as against 1.93 times in FY2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.18 times for FY2022 as against 0.29 times for FY2021.

Weaknesses

> Decline in the profitability margins

The operating margin has declined from 10.27 percent in FY2020 to 7.39 percent in FY2021 to 5.19 percent in FY2022. Similarly, the PAT margin has declined to 1.60 percent in FY2022 from 2.83 percent in FY2021 and 3.72 percent in FY2020. The group's ability to sustain revenues while improving the profitability will be a key rating sensitive.

> Working capital intensive nature of operations

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) days of GCA days of 135 days in FY2022 as against 136 days in FY2021. The inventory days stood at 36 days in FY2022 as against 42 days in FY2021. Also, the debtor days stood at 69 days in FY2022 as against 65 days in FY2021.

Acuité believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

>Raw material price fluctuations

The key raw material for the company is waste paper procured domestically as well as imported from the USA, Middle-East and Taiwan among others. The prices of the waste paper are fluctuating and highly dependent on the supply of the paper. This can adversely impact the operations and profitability of the company.

>Highly fragmented and competitive industry

The recycling industry is highly fragmented with several organized and unorganized players, thereby impacting the company's profitability. Players in the industry have to comply with stringent effluent treatment norms of pollution control boards and complete discretion of the government, which led to high compliance risks. However, most of the pulp-based paper mills has adopted environment friendly technologies to minimize wastage and maximize recycling/reuse materials to produce eco-friendly paper. Also, the domestic industry faces immense competition of imports from ASEAN countries, which are of superior quality and of lower prices. Acuité believes that adherence to several environmental regulations and continuous investments are required to comply with the norms, which is likely to impact the profitability.

Rating Sensitivities

> Improving profitability margins while improving scale of operations.

>Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The company's liquidity profile is adequate marked by adequate net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs.15.61 Cr in FY2022 as against maturing debt obligation of 7.79 Cr. The firm maintains unencumbered cash and bank balances of Rs. 8.93 crore as on March 31, 2022. The current ratio of the group stood in line as it stood at 1.30 times as on March 31, 2022.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	537.59	435.15
PAT	Rs. Cr.	8.61	12.31
PAT Margin	(%)	1.60	2.83
Total Debt/Tangible Net Worth	Times	0.46	0.38
PBDIT/Interest	Times	2.84	2.92

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
02 Jul 2021	Bank Guarantee	Short Term	0.70	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	10.55	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.75	ACUITE BB+ Stable (Reaffirmed)
24 May 2021	Bank Guarantee	Short Term	0.70	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	10.55	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.75	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
20 Feb 2020	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Negative)
	Term Loan	Long Term	10.55	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Negative)
	Proposed Bank Facility	Long Term	1.75	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Negative)
	Bank Guarantee	Short Term	0.70	ACUITE A4+ (Downgraded from ACUITE A3)
22 Nov 2019	Bank Guarantee	Short Term	0.70	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	10.55	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	1.75	ACUITE BBB- Negative (Reaffirmed)
01 Oct 2019	Proposed Bank Facility	Long Term	1.75	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.55	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.70	ACUITE A3 (Reaffirmed)
09 Jan 2019	Term Loan	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.70	ACUITE A3 (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	1.30	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A4+ Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BB+ Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Term Loan	04-01-2019	14.20	04-01-2025	10.55	ACUITE BB+ Reaffirmed & Withdrawn

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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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