

## Press Release

Craftech Paper Mills Private Limited

March 06, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 22.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuite 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. 22.00 crore bank facilities of Craftech Paper Mills Private Limited (CPPL). The outlook is '**Stable**'.

CPPL is a Latur based company incorporated in 2016 by Mr. Dilip Mane, Mr. Ritesh Mane, Mr. Suryakant Karwa and Mr. Yash Karwa. CPPL is engaged in manufacturing of kraft papers which are used in packaging industry such as food, chemicals, consumer goods, flour bags, paper sack for cements. The commercial operations of CPPL started on 26 December, 2018 with total installed capacity of 100 metric ton per day. The company is currently distributing in the region of Maharashtra and Gujarat through dealers.

### Analytical Approach

Acuite has considered standalone business and financial risk profile of CPPL to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Experienced management**

The promoters are into Electronics, Real estate and Sugar Industry having vast experience of around a decade in these industries. Mr. B B Rajewale who is the Technical Director for CPPL has more than four decades of experience in the paper mill industry. He was previously associated with different paper mill companies.

- **Financial support from the promoters in the form of equity and unsecured loans**

The total project cost amounting to Rs. 26.48 crore was funded through (debt/equity of 1.30 times) secured term loan from bank amounting to Rs. 14.98 crore and equity capital and unsecured loans from the promoters of Rs. 11.50 crore. The promoters are likely to continue providing need-based funding support in future.

### Weaknesses

- **Nascent stage of operations**

The commercial operations started in December, 2018; thus reflecting limited track record of operations. The company has registered revenues of Rs.1.75 crore for the month of January, 2019. Because of early phase of operations, exposure to risks related to adequate ramp-up in sales remains critical and hence key monitorable.

- **Highly competitive and fragmented industry**

The company is expected to face stiff competition from large and established players in the paper industry. The company plans to derive its revenue from the manufacturing of kraft papers of different sizes and for different industries. The ability to maintain a healthy product profile and offer value for its products is critical for the company to maintain its credit profile.

### Liquidity Position:

CPPL has stretched liquidity position. Acuite does not foresee any positive net cash accruals in the first year of operations and expects maturing debt obligations to stand at Rs.1.88 crore for FY2019-20. The liquidity of the firm is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters and CPPL to fund the liquidity deficit in the initial stage of operations.

### Outlook: Stable

Acuite believes that CPPL will maintain 'Stable' outlook over the medium term from the experience of management in paper mill industry. The outlook may be revised to 'Positive' if timely stabilisation of operations helps increase sales and cash accrual. The outlook may be revised to 'Negative' if there is delay in ramp-up of operations, low accrual, or large working capital requirement weakening financial risk profile, particularly liquidity.

### About the Rated Entity - Key Financials (Not Applicable)

Not Applicable

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

None

### 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
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4

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