

Press Release

Craftech Paper Mills Private Limited

September 03, 2020

Rating Upgraded and reaffirmed



Total Bank Facilities Rated*	Rs.22.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Upgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B**' (**read as ACUITE B**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.22.00 Cr bank facilities of Craftech Paper Mills Private Limited. The outlook is '**Stable**'.

The rating upgrade is driven by stabilisation in operations as reflected from the sharp rise in their turnover levels coupled with improvement in their operating profits. The high capacity utilization driven by steady demand has led to the increase in their topline.

Incorporated in 2016, Craftech Paper Mills Private Limited (CPMPL) is engaged in manufacturing of kraft paper which are used in packaging industry such as food, chemicals, consumer goods, flour bags, paper sack for cements. Currently, the company is headed by Mr. Dilip Mane, Mr. Ritesh Mane, Mr. Suryakant Karwa and Mr. Yash Karwa, who are all promoter directors. The commercial production for CPMPL started in the end of December 2018 with a total installed capacity of 100 Metric ton per day.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of CPMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoters of the company Mr. Yash Karwa, Mr. Suryakant Karwa, Mr. Dilip Mane and Mr. Ritesh Mane have been in the real estate industry and sugar industry for a decade. The group companies, Shri Satya Sai Baba Construction (rated ACUITE BBB+/Stable/A2), Kay Realty and Infrastructure Private Limited and Jagruti Sugar & Allied Industries Limited are well established in their respective operations. Further, Mr. B B Rajewale who is the Technical Director of CPMPL has more than four decades of experience in the paper mill industry. The company has been able to penetrate into the southern parts of India and establish relationship with new clients. Acuité derives comfort from the experienced management.

- **Modest scale of operations with high capacity utilization**

CPMPL has started commercial production from December, 2018 and has achieved modest scale of operations marked by operating income of Rs.45.68 Cr in FY2020 (Provisional) as against Rs.4.69 Cr in FY2019. The company has been able to establish relationship with suppliers and customers and also expanded their geographical presence from western India to southern India. Further, the company has achieved capacity utilization level of 70 per cent thereby reflecting steady demand for their products. Acuité believes that the sustainability of the revenue growth would be a key monitorable going forward.

Weakness

- **Nascent stage of operations**

The company has incurred a loss of Rs.4.02 Cr in FY2020 (provisional) as compared to a loss of Rs.1.66 Cr in FY2019. The losses are on account of the business being in the early stage. The weak bottom line of the

company has translated into a below average financial risk profile. The company's ability to break even and improve its profitability will remain a key rating sensitivity factor.

- **Exposure to intense competition**

The craft paper industry remained heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players.

Rating Sensitivity

- Sustainability in their growth in scale of operations while improving profitability margin
- Significant improvement in liquidity position

Material Covenant

None

Liquidity Profile: Poor

The company's liquidity is poor marked by the cash losses as against debt repayment of Rs.1.86 Cr. However, Acuité derives comfort from the promoters' consistent infusion in the form of unsecured loans. Promoters have infused fund to the tune of Rs.14.41 Cr as on March 31, 2020 (provisional) as compared to Rs.8.69 Cr as on March 31, 2019. Acuité believes that this financial support in the form of unsecured loan by the promoters will continue to augment the company's financial flexibility. The fund based limit remains utilised at 81 per cent over the twelve months ended February, 2020. The company has availed moratorium on term loan and applied for additional COVID loans of Rs.0.63 Cr. The cash and bank balances of the company stood at Rs.0.01 Cr as on March 31, 2020 (provisional). However, the current ratio stood comfortable at 1.26 times as on March 31, 2020 (provisional). The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 112 days in 31st March 2020 (provisional). Acuité believes that going forward the company will improve its liquidity position over the medium term owing to the scale of operations.

Outlook: Stable

Acuité believes the outlook on Craftech Paper Mills Private Limited will remain stable over the medium term on account of experienced management, financial flexibility and modest scale of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, and improved its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	45.68	4.69
PAT	Rs. Cr.	(4.02)	(1.66)
PAT Margin	(%)	(8.79)	(35.46)
Total Debt/Tangible Net Worth	Times	(18.47)	11.45
PBDIT/Interest	Times	0.98	0.41

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Mar-2019	Term Loan	Long Term	15.00	ACUITE B/Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Assigned)

***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 Loan	Not Available	Not Applicable	Not Available	15.00	ACUITE BB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB-/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research

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