

**Press Release**  
**Gayatrishakti Paper and Boards Limited**

**September 28, 2022**



**Rating Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	377.25	ACUITE A-   Stable   Upgraded	-
Bank Loan Ratings	60.00	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	437.25	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has upgraded its long term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and reaffirmed the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.437.25 crore bank facilities of Gayatrishakti Paper and Boards Limited (GPBL). The outlook is 'Stable'.

**Rationale for rating upgrade**

The rating upgrade takes into consideration the established market position of the group in the manufacturing of duplex boards and kraft paper segment. It also takes into consideration the augmentation in the revenues along with the adequate liquidity position of the group. Further the rating upgrade reflects the improvement in the company's performance in Q1 FY23 wherein the company has achieved a revenue of Rs.397.75 crore. The ratings are constrained by the working capital intensive nature of operations of the group and decline in the operating margins in FY22. However it also takes into consideration the increase in the operating margins in Q1 FY23 to 10.28 percent.

**About Company**

Mumbai based GPBL incorporated in 1996 is promoted by the G.N. Agarwal group. The company manufactures Premium Coated Paper Boards (duplex board) & Kraft paper. It has manufacturing units located in Gujarat Industrial Development Corporation (GIDC), i.e. duplex board unit at Vapi and Kraft paper unit at Sarigam. The total capacity is 252000 metric tonne per annum(MTPA). It sells its products through a dealership network to outlets. GPBL also has a duplex board unit operated under its associate company Kherani Paper Mills Private Limited (KPMPL), which caters to a local market while GPBL caters to premium segment. GPBL offers coated packaging board (grey back) that find its application in serial packing, toys, appliances, industrial packing, top liner on corrugated boxes, garment and shoe packing, medicine boxes, kitchen spices, book covers, and other products; and white back (silgia) that are used for dry fruit products, soaps and cosmetics packing, publication covers, among others. The company also provides a blister pack board (grey and white that are used for a toothbrush, shaving blades, toys, electronic items, and other applications; and playing cards.

## About the Group

Mumbai based KPMPL is promoted by the G.N. Agarwal group and is engaged in the manufacturing of duplex board. The company was incorporated in 1988 and has its factory situated at Vapi, Gujarat and registered office at Mumbai, Maharashtra. KPMPL manufactures Duplex Boards in different grammages ranging from 180 GSM to 550 GSM. The manufacturing capacity of the plant is 42,000 metric tonne per annum (MTPA).

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

To arrive at the rating, Acuité has consolidated the business and financial risk profiles of Gayatrishakti Paper and Boards Limited (GPBL) and Kherani paper and mills private limited (KPMPL), hereinafter referred to as G.N. Agarwal group. The consolidation is on account of common management, significant crossholdings, a similar line of business and significant financial linkages among the two entities

## Key Rating Drivers

### Strengths

#### **Extensive experience of promoters, established position in the paper industry and established dealer network**

GPBL is the flagship company of the G. N. Agarwal group, which is engaged into manufacturing of Premium Coated Paper Boards (duplex board). The Chairman and Managing Director of the company, Mr. G. N. Agarwal has been associated with the paper industry for more than three decades. The extensive experience of the promoters and the management has helped the company build strong presence in the market. GPBL and KPMPL have diversified presence on a pan-India basis with more than 150 distributor and dealer networks. The sales for duplex boards and kraft paper are through dealers to reputed clients for manufacturing of packaging products. GPBL and KPMPL have tied up with the printing companies who in turn carry out printing jobs for the end user. The group has a healthy relationship with the dealers over two decades that further reduces the counter party risk. The group has an advantage of the distribution network as dealers provide access to wide range of packing industries such as Food Products, Personal Care, FMCG products, Oral Care & Hygiene Products, e-commerce industry among others. The group caters to healthy portfolio of end consumers including AMUL, Hindustan Unilever Ltd, Colgate Palmolive India Ltd, Kellogg Company, Anchor Health and Beauty Care Pvt Ltd among others. Acuité believes that the group will continue to benefit from its extensive experience in the paper industry and established market presence through a healthy network of dealers and distributors. In addition, the business risk profile of the group will continue to derive support from strong dealer network.

#### **Location advantage**

The group's manufacturing units are located in Vapi and Sarigam (Gujarat) which is one of the most developed Industrial Zone of Gujarat connected by rail and road. Also, the distance from nearest port i.e. Adani Hazira port is 142 kms for Unit I in Vapi and 160 kms from Unit II in Sarigam. As the group imports waste paper and exports finished goods, the location of the units provides an advantage of low transportation cost upto the ports. The presence of unit in GIDC provides competitive advantage in terms of proximity to raw material, trained work force and marketing. Further, the group has a pan-India presence and caters to international markets through exports.

## **Augmentation in revenues**

The revenue of the group increased by ~58 percent and stood at Rs.1289.77 crore in FY22 compared to revenue of Rs.812.28 crores in FY21. The increase in the revenue is majorly due to the increase in the price realization for the products. The revenues for Q1FY23 stood at Rs.397.575 crores. This shows further revenue visibility for FY23. However even with the increase in the revenues the operating profit margin of the group declined and stood at 8.47 percent in FY22 compared against 13.00 percent in FY21. The decline in the operating margin is on account of increase in raw material costs. The operating margin has improved in Q1 FY23 and stood at 10.28 percent. The PAT margin stood at 2.13 percent in FY22 against 2.92 percent in FY21.

Acuité believes that the group will be able to benefit from the augmentation in the revenues in near to medium term if enough capacity is available.

## **Weaknesses**

### **Moderate financial risk profile**

The group has a moderate financial risk profile marked by moderate tangible networth, high gearing levels and moderate debt protection metrics. The tangible net worth of the group stood moderate at Rs.179.84 crore as on 31 March 2022. The networth has improved sequentially from Rs.152.33 crore as on 31 March 2021 due to accretion of profits in reserves. The group has followed a moderately aggressive financial policy in the past as reflected by the peak gearing levels of 2.92 times as on 31 March 2020. The current gearing level of the group has improved yet remains high at 2.30 times as on 31 March 2022 as against 2.62 times as on 31 March 2021. The total debt of the group comprised of long term debt of Rs.251.18 crores, unsecured loans of Rs.14.59 crores and short term debt of Rs.98.95 crore as on 31 March 2022. The coverage ratios of the group remained moderate with Interest Coverage Ratio (ICR) of 2.57 times for FY22 as against 2.41 times for FY21. The Debt Service Coverage Ratio (DSCR) stood at 1.24 times for FY22 as against 1.38 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the group stood at 3.88 times as on 31 March 2022 as against 4.32 times as on 31 March 2021. Acuité believes that the financial risk profile of the group will remain a key sensitivity in the near to medium term.

### **Working capital intensive operations**

The group's operations are working capital intensive as evident from Gross Current Asset (GCA) of 93 days as on March 31, 2022, as against 122 days as on March 31 2021. The inventory days stood at 31 days for FY22 compared against 39 days for FY21. The company receives advance orders and hence the inventory is kept on the basis of the advance orders. Average 30-45 days inventory is kept by the group. The debtor days has improved and stood at 56 days for FY22 as against 75 days for FY21. Average debtor days are 45-55 days. The creditor days of the group stood at 62 days for FY22 as against 99 days for FY21. The raw materials, waste paper and pulp are procured by taking a LC for 60- 90 days. The average utilization of the working capital limits of the company remained high at ~77 percent in last six months ended July' 22 for KPML and ~81 percent in last six months ended July'22 for GPBL. Acuité believes that efficient working capital management will be crucial to the group in order to maintain the financial risk profile.

### **Susceptibility of margins to fluctuations in raw material prices**

The duplex board and kraft paper manufacturers in India are exposed to the risk of volatility in waste paper prices, largely due to intense competition. On account of competitive pressures, players face challenges in passing on increased costs to end users. This is reflected by the decline in the operating profit margins to 8.45 percent for FY22(Prov) as against 13.00 percent for FY21. In addition, the profitability of players with power plants is exposed to fluctuation in the prices of coal. Business risk profile will remain constrained by exposure to the downturn in the paper industry. The rise in the prices of duplex paper over that of waste paper is expected to be gradual, rendering the profitability susceptible to volatility in the price of paper.

## Rating Sensitivities

Significant improvement in operating performance while maintaining the margins.  
Deterioration in the financial risk profile.  
Stretch in the liquidity position of the group.

## Material Covenants

None

## Liquidity position: Adequate

The group has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.52.39 crore in FY22 compared against maturing debt obligations of Rs.33.89 crore over the same period. The cash accruals of the company are estimated to remain around Rs.87.61-108.60 crore during 2023-24 period while its matured debt obligations is estimated to be in the range of Rs.52.95-56.83 crore during the same period. The company reliance on working capital borrowings is also on a higher side marked by average utilization of working capital limits of ~77 percent during the last six months period ended July' 2022 for KPML and ~81 percent during the last six months ended June'22 for GPBL. The group maintains unencumbered cash and bank balances of Rs.0.14 crore as on March 31, 2022 and the current ratio also stood moderate at 1.07 times as on March 31, 2022.

## Outlook: Stable

Acuité believes that the group will maintain a 'stable' outlook over the near to medium term owing to its experienced management and established market position of the group. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1289.77	812.28
PAT	Rs. Cr.	27.53	23.69
PAT Margin	(%)	2.13	2.92
Total Debt/Tangible Net Worth	Times	2.30	2.62
PBDIT/Interest	Times	2.57	2.41

## 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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Sep 2022	Term Loan	Long Term	107.50	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Working Capital Demand Loan	Long Term	13.61	ACUITE BBB+   Stable (Assigned)
	Working Capital Demand Loan	Long Term	2.38	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	36.00	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	30.00	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	20.05	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	18.64	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	14.75	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	42.62	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Letter of Credit	Short Term	25.20	ACUITE A2+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	24.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	77.50	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
	Term Loan	Long Term	25.00	ACUITE BBB+   Stable (Downgraded from ACUITE A-   Stable)
02 Sep 2021	Term Loan	Long Term	97.50	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	18.64	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	25.20	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	20.05	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	14.75	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	36.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	102.50	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	14.75	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.05	ACUITE A2+ (Reaffirmed)

31 Aug 2020	Term Loan	Long Term	55.00	ACUITE A-   Stable (Reaffirmed)
		Short		
	Letter of Credit	Term	25.20	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	18.64	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	36.00	ACUITE A-   Stable (Reaffirmed)
06 Feb 2020	Cash Credit	Long Term	36.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	18.64	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	55.00	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	14.75	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.05	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	25.20	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	200.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
17 Jun 2019	Cash Credit	Long Term	18.64	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	25.20	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	14.75	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	36.00	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	20.05	ACUITE A2+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A-   Stable   Upgraded
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A-   Stable   Upgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.64	ACUITE A-   Stable   Upgraded
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.75	ACUITE A2+   Reaffirmed
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.20	ACUITE A2+   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.05	ACUITE A2+   Reaffirmed
Axis Bank	Not Applicable	Term Loan	01-12-2020	8.70	01-12-2027	77.50	ACUITE A-   Stable   Upgraded
IDFC First Bank Limited	Not Applicable	Term Loan	01-12-2020	9.60	01-12-2027	25.00	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Term Loan	01-12-2020	9.10	01-12-2027	107.50	ACUITE A-   Stable   Upgraded
Bajaj Finserv Limited	Not Applicable	Term Loan	Not available	Not available	Not available	42.62	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	2.38	ACUITE A-   Stable   Upgraded
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	24.00	ACUITE A-   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	13.61	ACUITE A-   Stable   Upgraded

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### About Acuité Ratings & Research

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