

Press Release

Krishna Tissues Private Limited

January 06, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	279.95	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	134.27	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	454.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and the short-term rating of **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs. 414.22 Cr bank facilities of Krishna Tissues Private Limited (KTPL) and has assigned the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on the Rs. 40.00 Cr bank facilities of Krishna Tissues Private Limited (KTPL). The outlook is **'Stable'**.

Rationale for the rating

The rating of KTPL takes into cognizance the strong business risk profile marked by healthy revenue levels, geographic diversification of the company and the market demand for packaging products. The rating also derives comfort from the experienced management and the above average financial risk profile of the company characterized by strong network base and comfortable gearing. These strengths are however, partly offset by the working capital intensive operations of the company.

About the Company

Incorporated in 2005, Krishna Tissues Private Limited (KTPL) is engaged in the manufacture of duplex board for primary packaging and kraft paper used in manufacturing kraft board which in turn is widely used in secondary packaging. The company is headed by Mr. Jyoti Kumar Bajaj and Mr. Kanti Kumar Bajaj. KTPL has the largest integrated duplex board unit in West Bengal and is one of the largest manufacturers of kraft paper in India. It has two units with different product lines - one is coated duplex board unit with current capacity of 115,500 MTPA in Ghoraghata, Bagnan, West Bengal and the other is kraft paper unit with a capacity of 185,000 MTPA in Burdwan, West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Geographic exposure supported by experienced management**

KTPL has been promoted by Mr. Jyoti Kumar Bajaj, Mr. Kanti Kumar Bajaj and a group of professionals having over three decades of experience in the paper manufacturing and trading business. The management has aided in the company's geographical divergence into countries like China, Bangladesh, Singapore, to name a few. Acuité derives comfort from the company's diversified presence and from the extensive experience of the promoters.

- **Strong business risk profile**

The company achieved revenues of Rs.1021.80 Cr in FY2022 as compared to revenues of Rs.604.92 Cr in FY2021, thereby registering an improvement of around 69 per cent over the period. The improvement in operating income is due to increase in the average realizations. Also, the growing demand from the evolving e-commerce segment along with the growing stress on substituting paper packaging and banning single-use plastics attributed to the revenue growth. However, the company faced slight moderations in the H1FY23 revenues and achieved Rs.475.32 Cr till September, 2022 (provisional) due to the kraft division being under maintenance. Although, going forward, Acuité believes that the rising demand for kraft paper and duplex board from the e-commerce sector combined with the increasing awareness regarding the detrimental impact of plastic will induce positive growth in the scale of operations of the company.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by strong networth base along with comfortable gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.339.70 Cr as on 31st March, 2022 from Rs.310.31 Cr as on 31st March, 2021 due to accretion of reserves. Acuité has treated unsecured loans of Rs.144.21 Cr as a part of networth as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the company steadily improved over the years and stood comfortable at 0.89 times as on 31st March, 2022 as compared to 1.02 times as on 31st March, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.68 times as on 31st March, 2022 as against 1.62 times as on 31st March, 2021. The Interest Coverage Ratio stood comfortable at 2.36 times however the Debt Service coverage ratio stood moderate at 1.03 times as on 31st March, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.16 times as on 31st March, 2021. Acuité believes that going forward the financial risk profile of the company will improve backed by improving accruals and no major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high but reduced Gross Current Assets (GCA) of 163 days in FY2022 as compared to 211 days in FY2021. The high GCA days are majorly due to elongated inventory cycle and high other current assets. The inventory period though reduced but stood high at 89 days in FY2022 as compared to 113 days in FY2021 mainly due to stocking up the imported single use paper which constitutes around 40 per cent of the total raw material requirement, in order to mitigate risk of delay in transit along with mitigating price risk and reducing costs with bulk orders. The high other current assets are on account of advances paid to trade creditors for pre-booking the materials to the tune of Rs.11.12 Cr in FY2022 as compared to Rs.2.59 Cr in FY2021. However,

the debtor period stood comfortable at 51 days in FY2022 as compared to 68 days in FY2021. Acuite believes that, going forward, the working capital management of the company will remain around similar levels due to the inherently high inventory holding period.

Rating Sensitivities

- Sustenance of the revenue growth and improvement in profitability parameters
- Sustenance of the capital structure
- Elongation in working capital cycle

Material covenants

None

Liquidity position: Adequate

The company's liquidity position is adequate marked by the fund based bank limit utilisation at 72 per cent over the seven months ended November, 2022. KTPL's sufficient net cash accruals stood at Rs.47.64 Cr in FY2022 as against long term debt repayment of Rs.44.68 Cr over the same period. Going forward in FY2023-2024, the net cash accruals are anticipated to be in the range of Rs. 60-65 Cr and the debt repayment burden is expected to be around Rs.10-14 Cr yearly. The current ratio stood moderate at 1.12 times as on 31st March, 2022 as compared to 1.11 times as on 31st March, 2021. The unencumbered cash balance increased to Rs.0.83 Cr in FY2022 from Rs.0.67 Cr in FY2021. However, the working capital management is intensive in nature marked by high GCA days of 163 days in FY2022 as compared to 211 days in FY2021 due to high other current assets and prolonged inventory cycle. Acuite believes that going forward the liquidity position of the company will further improve due to reduction in the long term debt burden along with improving accruals.

Outlook: Stable

Acuite believes the outlook on KTPL will remain 'Stable' over the medium term backed by its experienced management, adequate liquidity, geographic diversity and the above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins or deterioration in the financial risk profile or elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1021.80	604.92
PAT	Rs. Cr.	29.60	15.58
PAT Margin	(%)	2.90	2.58
Total Debt/Tangible Net Worth	Times	0.89	1.02
PBDIT/Interest	Times	2.36	1.97

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Apr 2022	Proposed Bank Facility	Long Term	49.32	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	84.73	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	43.44	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.66	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.27	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	47.20	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	34.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE A- Stable (Reaffirmed)
28 Apr	Letter of Credit	Short Term	12.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	43.44	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.56	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	75.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	119.75	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	47.20	ACUITE A- Stable (Assigned)

2021	Term Loan	Long Term	7.50	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	34.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	9.27	ACUITE A2+ (Assigned)
		Long Term		ACUITE A- Stable (Assigned)
	Cash Credit	Term	25.00	

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.27	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	47.20	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A- Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.44	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.80	ACUITE A- Stable Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.20	ACUITE A- Stable Assigned
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	54.00	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A2+ Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	46.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.83	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.33	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.27	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	58.27	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.61	ACUITE A- Stable Reaffirmed

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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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