

Press Release
Krishna Tissues Private Limited
March 28, 2024
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	319.95	ACUITE BBB+ Stable Downgraded	-
Bank Loan Ratings	134.27	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	454.22	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 454.22 Cr. bank facilities of Krishna Tissues Private Limited (KTPL). The outlook is '**Stable**'.

Rationale of the Rating

The rating takes into cognizance the decline of the company scale of operations as reflected from revenues of Rs. 778.30 Cr. in FY2023 compared to Rs. 1021.80 Cr. in FY2022. The decline in revenue in FY23 can be attributed to decrease in export sales by the company, especially to China due to imposed restrictions on imports due to pandemic by Chinese Government. In 9MFY2024, the revenues of the Company were at Rs. 566.46 Cr. (Provisional) and KTPL expects to clock a similar topline as last fiscal year. This subdued performance has mainly been a result of increase competition in domestic markets and difficulty in penetrating in newer international markets. The absolute EBIDTA of KTPL declined to Rs.90.83 Cr. in FY2023 from Rs.111.79 Cr. in FY2022. However, in terms of percentage, the operating margin of the company improved slightly at 11.67 per cent in FY2023 as compared to 10.94 per cent in FY2022. However, in current year, the price realization is expected to be lower due to the volatile nature of paper industry, increase competition and as such the margins are expected to be at similar levels due to inability of company to pass on raw material price increase to end user. Furthermore, the working capital cycle of the Company as reflected from Gross Current Assets (GCA) of 257 days in FY2023 as compared to 163 days in FY2022 mainly due to increase in inventory holdings and other current assets on account of advances paid to trade creditors for pre-booking the materials.

However, the rating also derives comfort from the experienced management and the above average financial risk profile of the company characterized by strong net worth base and comfortable gearing. These strengths are however, partly offset by the working capital-intensive operations of the company and high competition in the paper Industry.

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 180,000 MTPA in Burdwan, West Bengal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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.

Moderate financial risk profile

The company's financial risk profile is moderate marked by high networth base along with comfortable gearing and moderate debt protection metrics. The adjusted tangible net worth of the company increased to Rs. 372.58 Cr. as on 31st March, 2023 from Rs. 339.70 Cr. as on 31st March, 2022 due to accretion of reserves. Acuité has treated unsecured loans of Rs.150.23 Cr. as quasi equity as the management has undertaken to maintain this amount in the business till the pendency of bank loans. Adjusted Gearing of the company remained stable over the years and stood comfortable at 0.90 times as on 31st March, 2023 as compared to 0.89 times as on 31st March, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.66 times as on 31st March, 2023 as against 1.68 times as on 31st March, 2022. The Interest Coverage Ratio stood comfortable at 2.05 times as on March 31, 2023. However, the Debt Service coverage ratio stood low at 0.91 times as on 31st March, 2023. This has been a result of high debt repayments of the company against a small net accruals. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31st March, 2023. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and minimal det repayments and no major debt funded capex plans.

Weaknesses

Decline in turnover albeit similar operating profits

KTPL achieved revenues of Rs.778.30 Cr. in FY2023 as compared to revenues of Rs.1021.80 Cr. in FY2022, thereby registering a degrowth. The decline in revenue in FY23 can be attributed to decrease in export sales by the company, especially in China. A substantial portion of the exports were to China but due to imposed restrictions on imports due to pandemic by Chinese Government, the company had to shift its focus to domestic market and markets such as Bangladesh and Middle East countries. Going forward, the company anticipates a continued emphasis on the domestic market aligning its business strategy with the evolving market conditions and seeking growth opportunities within the domestic sector. In 9MFY2024, the revenues of the Company were at Rs. 566.46 Cr. (Provisional). This subdued performance has mainly been a result of increase competition in domestic markets and difficulty in penetrating in newer international markets.

The absolute EBIDTA of KTPL declined to Rs.90.83 Cr. in FY2023 from Rs.111.79 Cr. in FY2022. However, in terms of %, the operating margin of the company improved slightly at 11.67 per cent in FY2023 as compared to 10.94 per cent in FY2022. However, in current year, the price realization is expected to be lower due to the volatile nature of paper industry, increase competition and as such the margins are expected to be at similar levels due to inability of company to pass on raw material price increase to end user.

Also, the PAT margin was slightly low at 2.39 per cent in FY2023 as against 2.90 per cent in FY2022 due to slightly higher interest costs as the Company. Further, in 9M FY2023, the operating margin stood at 11.23 per cent (provisional) and the PAT margin stood at 2.92 per cent (provisional). The RoCE decreased to 10.80 per cent in FY2023 as compared to 14.60 per

cent in FY2022. Acuité believes that, the operating profits are expected to remain at similar levels due to dip in average realization prices and inability of the Company to pass on the raw material prices to end-users.

Working capital intensive nature of operations

KTPL's operations are working capital intensive as reflected in increasing Gross Current Assets (GCA) of 257 days in FY2023 as compared to 163 days in FY2022. The high GCA days are majorly due to elongated inventory cycle and high other current assets. The inventory period increased to 177 days in FY2023 as compared to 89 days in FY2022 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. 17.94 Cr. in FY2023 (Rs.11.12 Cr. in FY2022). However, the debtor period is comfortable at 49 days in FY2023 as compared to 51 days in FY2022. Against this the receives credits from its suppliers as reflected from high creditor days of 134 days as on March 31, 2023. Acuite believes that, going forward, the working capital management of the company will remain around the similar levels due to the characteristically high inventory holding period.

Rating Sensitivities

- Improvement in revenue while maintaining profitability
- Sustenance of the capital structure
- Further elongation in working capital cycle

Liquidity Position Adequate

The company's liquidity position is adequate marked by reducing but adequate cash accruals to repay debt obligations over the medium term, absence of any debt funded capex plans, moderate bank limit utilization and low current ratio. Although in FY2023, KTPL's net cash accruals stood at Rs.36.35 Cr. as against long term debt repayment of Rs.45.71 Cr. over the same period which was repaid out of internal sources of the Company. The Company does not have any major debt funded capex plans. The promoters also have the flexibility to bring in unsecured loans in the business (treated as quasi equity) which remained at Rs. 150.23 Cr. as on March 31, 2023. The current ratio stood moderate at 1.05 times as on 31st March, 2023 as compared to 1.12 times as on 31st March, 2022. The unencumbered cash balance increased to Rs.0.93 Cr. in FY2023 from Rs.0.83 Cr. in FY2022. The working capital requirement also remains intensive as reflected by high GCA days of 257 days in FY2023 as compared to 163 days in FY2022 due to due to high other current assets and prolonged inventory cycle. The fund based bank limit utilisation remained at 75.90 per cent over the six months ended December 2023. Acuité believes that going forward the liquidity position of the company will continue to remain adequate due to steady accruals, absence of debt funded capex plans, moderate current ratio albeit a high working capital cycle.

Outlook: Stable

Acuité 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	778.30	1021.80
PAT	Rs. Cr.	18.57	29.60
PAT Margin	(%)	2.39	2.90
Total Debt/Tangible Net Worth	Times	0.90	0.89
PBDIT/Interest	Times	2.05	2.36

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

Not Applicable

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, Acuite 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
06 Jan 2023	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	9.27	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	47.20	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	35.20	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	55.44	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	4.80	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	46.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	54.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.83	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	58.27	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	8.61	ACUITE A- Stable (Reaffirmed)
14 Apr 2022	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	9.27	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	47.20	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	43.44	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	34.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Reaffirmed)
	Proposed Long Term Bank	Long		ACUITE A- Stable

	Facility	Term	49.32	(Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	84.73	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.66	ACUITE A- Stable (Reaffirmed)
28 Apr 2021	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	9.27	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	75.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	47.20	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	43.44	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	34.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	7.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	119.75	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.56	ACUITE A- Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2 Downgraded (from ACUITE A2+)
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.27	ACUITE A2 Downgraded (from ACUITE A2+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	110.20	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.44	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	47.20	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.80	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	46.00	ACUITE A2 Downgraded (from ACUITE A2+)
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A2 Downgraded (from ACUITE A2+)
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A2 Downgraded (from ACUITE A2+)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	54.00	ACUITE A2 Downgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	59.81	ACUITE BBB+ Stable Downgraded (from ACUITE A-)
Union Bank	Not avl. / Not	Term Loan	01 Mar	Not avl. / Not	30 Jun	Simple	4.70	ACUITE BBB+ Stable Downgraded

of India	appl.		2017	appl.	2024			(from ACUITE A-)
Union Bank of India	Not avl. / Not appl.	Term Loan	01 Mar 2017	Not avl. / Not appl.	30 Jun 2024	Simple	7.80	ACUITE BBB+ Stable Downgraded (from ACUITE A-)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Nikita J Mittal Manager-Rating Operations Tel: 022-49294065 nikita.mittal@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.