



**Press Release**  
**V V G PAPER INDUSTRY PRIVATE LIMITED**  
**April 15, 2025**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.50	ACUITE BB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	32.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minuso**)n the Rs. 32.50 Cr. bank facilities of V V G Paper Industry Private Limited (VVG). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned reflects VVG's established track record of operations and improving trend recorded in its operating profitability albeit moderation in operating revenues. The rating remains constrained due to VVG's below average financial risk profile, moderately intensive working capital management, stretched liquidity position and susceptibility of profitability to volatility in raw material prices in a highly fragmented and competitive industry.

**About the Company**

Tamil Nadu Based, VVG was incorporated in 2017. Currently Mr. Gundur Ramasamy Ananda Babu and Mr. Prasad Dilip Kumar are the directors of the company. It is engaged in manufacturing of Kraft Paper with a GSM range of 120-240 from recycled material. The company has a paper mill with an installed capacity of 38,400 tons per annum (TPA).

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of the V V G Paper Industry Private Limited (VVG) to arrive at this rating.

**Key Rating Drivers**

**Strengths**

**Established track record of operations and extensive experience of promoters**

Incorporated in 2017, VVG commenced its commercial production in November 2019. VVG manufactures kraft paper, which is primarily used in the production of corrugated boxes and paperboards. The company is promoted by Mr. G. R. Ananda Babu and Mr. Dilip Kumar P. Mr. G. R. Ananda Babu, hasover three decades of entrepreneurial experience in the cement wholesale and C&F business. This extensive experience has enabled the company to establish strong relationships with its customers and suppliers.

Acuite believes that the company will benefit from the extensive experience of the management to further augment its business risk profile.

**Improving operating profit margins amid marginal decline in operating income**

The company's operating profit margin improved to ~15% in 11MFY2025 from 10.45% in FY2024 and 8.74% in FY2023. This improvement in profitability is primarily led by lower material costs. However, the operating revenue moderated to Rs.102.99 Cr. in FY2024 from Rs 107.77 Cr. in FY2023 and stood at Rs. 102 Cr. in 11MFY2025. The moderation in revenue is on account of decline in price realisations amid increased volumes. Going ahead, the ability of the company to improve its operating revenue while maintaining its profitability will remain key monitorable.

**Weaknesses**

### **Below Average Financial Risk Profile**

The financial risk profile of the company stood below average, marked by low net worth, high gearing (debt-equity) and average debt protection metrics. The tangible net worth increased to Rs. 4.46 Cr. as of March 31, 2024, from Rs. 1.23 Cr. as on March 31, 2023, due to accretion of profits to reserves. The total debt of the company stood at Rs. 38.43 Cr. which includes long term loans of Rs. 22.55 Cr., unsecured loans from directors/promoters of Rs. 5.18 Cr. and short-term debt of Rs. 10.71 Cr. as on 31 March 2024. The gearing (debt-equity) ratio stood high at 8.62 times as on 31 March 2024 as compared to 32.35 times as on 31 March 2023. The debt protection metrics stood average where the Interest Coverage Ratio stood at 2.68 times for FY2024 as against 2.32 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.15 times in FY2024 as against 0.76 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 11.72 times as on 31 March 2024 as against 42.57 times as on 31 March 2023. The Debt-EBITDA improved marginally to 3.48 times for FY2024 as against 4.17 times for FY2023. Going ahead, the ability of the company to improve its overall financial risk profile will remain a key monitorable.

### **Moderately Intensive Working Capital Management**

The working capital management of the company is moderately intensive marked by GCA days of 128 days in FY2024 as against 109 days in FY2023. The inventory days stood at 27 days in FY2024 as against 26 days in FY2023. Further, the debtor's collection period stood at 75 days in FY2024 as against 62 days for FY2023. The creditors' days stood at 47 days in FY2024 as against 41 days in FY2023. The reliance on working capital limits stood high marked by average utilization of fund based working capital limits of ~96% for 6 months ended February 2025.

### **Exposure to volatile raw material prices and highly fragmented and competitive industry**

Operating margin remains susceptible to volatile raw material (wastepaper) prices, which are linked directly to international prices. Any adverse fluctuation in raw material prices can impact profitability. Kraft paper is used for tertiary packaging; thus, offtake depends on industrial production and other macroeconomic factors. The recycling industry is competitive, and the highly fragmented industrial paper industry constrains scalability, pricing power, and product differentiation.

### **Rating Sensitivities**

Improvement in the operating revenue while maintaining the profitability margins.  
Any further deterioration in financial risk profile leading to deterioration in liquidity.  
Elongation in working capital cycle.

### **Liquidity Position Stretched**

The liquidity position remains stretched, evidenced by net cash accruals against maturing debt obligations. Projections indicate stretched liquidity, with expected tightly matched cash accruals ranging from Rs. 7 Cr. to Rs. 9 Cr. against maturing repayment obligations of Rs. 5.5 Cr. to Rs. 7.5 Cr. over the medium term. The reliance on working capital limits stood high marked by average utilization of fund based working capital limits of ~96% for 6 months ended February 2025. The current ratio has improved slightly from 1.11 times on March 31, 2023, to 1.14 times on March 31, 2024. The cash and bank balance as on 31st March 2024 stood at Rs. 3.20 Cr. Going ahead, the ability of the company to register improvement in its net cash accruals generation will remain a key monitorable over the medium term.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	102.99	107.77
PAT	Rs. Cr.	3.23	1.74
PAT Margin	(%)	3.13	1.61
Total Debt/Tangible Net Worth	Times	8.62	32.35
PBDIT/Interest	Times	2.68	2.32

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

None.

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**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, 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](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	24 Aug 2025	1.19	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	17 Aug 2026	1.48	Simple	ACUITE BB-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.39	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Nov 2028	10.65	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	18 Mar 2027	0.72	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Nov 2028	1.94	Simple	ACUITE BB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	19 Dec 2025	1.13	Simple	ACUITE BB-   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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