



Press Release
PANARA CRAFT LLP
May 08, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.12	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	2.50	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	89.62	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of ‘**ACUITE BBB-’** (read as **ACUITE triple B minuso**)n the Rs. 87.12 Cr. bank facilities and assigned the short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**)on the Rs. 2.50 bank facilities of Panara Craft LLP (PCL). The outlook is ‘**Stable**’.

Rationale for rating

The rating assigned takes into consideration the prior experience of the partners in the paper industry which has supported the growth in operating performance of PCL driven by increasing volumes amidst price fluctuations and range bound margins of 7-8%. Additionally, the rating also factors setting up of solar power plant for captive use which shall further improve the operating margins. However, the rating is constrained by the intensive working capital operations and moderate financial risk profile. Going ahead, any expansion plans backed by debt funded capex, affecting the financial risk profile shall remain a key monitorable.

About the Company

Incorporated in 2019, Panara Craft LLP (PCL) is a limited liability partnership owned by Mr. Suresh Panara and Mr. Paresh Panara engaged into manufacturing of kraft paper since 2021 with an installed capacity of 70,560 metric tonnes per annum (MTPA). PCL has its manufacturing facility in Surat, Gujarat wherein it manufactures kraft paper ranging from 120-350 GSM (grams per square metre) with 18-35 BF (bursting factor); which is broadly used in packing industry for corrugated boxes, mono cartons and other packaging requirements, etc. Further, the firm is in the process of installing a solar power plant of 10 MW for captive consumption at a total capex of Rs. 41 Cr to be funded through debt of Rs. 30.72 Cr and balance through accruals, targeted completion by May 2025.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Panara Craft LLP (PCL) to arrive at this rating.

Key Rating Drivers

Strengths

Experienced partners

Mr. Paresh Panara is also partner in Spenzzer Craft Private Limited, a kraft paper manufacturing company established in 2017. Additionally, Mr. Ashwin Panara (a partner at Panara Craft LLP) owns Lemosia Tiles LLP, a tile manufacturing firm based in Surat providing digital tiles, wall tiles, ceramic tiles, etc. Therefore, the extensive experience of promoters in paper business has supported the growth in the business operations of the firm.

Growth in operating revenues with improving margins

While the volumes increased in FY24, the revenues remained stable at Rs.162.56 Cr. in comparison to Rs.163.95 Cr. in FY23 owing to decline in realisations. Moreover, the revenue of the firm improved from to Rs.192.44 Cr. in FY25 (Prov.) driven by increase in volumes and improvement in realisations. Further, the operating margins also increased to 8.32% in FY25 (Prov.) from 7.29% in FY24 driven by reduction in input cost and efficiency of operations. Further, post installation of the solar power plant in FY26, with reduction in the power cost the operating margins shall improve further over the near to medium term.

Weaknesses

Moderate financial risk profile

The firm's financial risk profile is moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth of the firm improved to Rs.64.43 Cr. as on 31st March, 2025 (Prov.) from Rs. 46.19 Cr. in FY24 owing to accretion of profits and infusions of ~Rs.10-12 Cr. by the partners. Moreover, the total debt of the firm increased at Rs.61.65 Cr. in FY25(Prov.) against Rs.52.66 Cr. in FY24 driven by partial debt availment for solar capex and increase in working capital requirements. However, the gearing of the firm stood below unity at 0.96 times as on 31st March, 2025 (Prov.) as against 1.14 times as on 31st March, 2024 owing to the improved network.

Additionally, the debt protection metrics of the firm is also moderate marked by interest coverage ratio of 2.93 times as on 31st March, 2025(Prov.) as against 2.14 times as on 31st March, 2024 and debt service coverage ratio of 1.28 times as on 31st March, 2025 (Prov.) against 1.30 times as on 31st March, 2024.

Further, the financial risk profile is expected to remain moderate over the medium term driven by debt for solar capex and working capital requirements.

Intensive working capital management

The working capital management of PCL is intensive in nature marked by GCA of 177 days in FY25(Prov.) against 145 days in FY24. This is mainly driven by inventory days which stood at 62 days in FY25(Prov.) (53 days in FY24) and debtor days which stood at 79 days in FY25(Prov.) (83 days in FY24). The inventory days are expected to remain in the same range going ahead, as the firm carries out stock and sale operations. Further, the debtors receivable ranges between 60-120 days. Moreover, the creditor days stood low at 28 days in FY25(Prov.) (15 days in FY24) as the firm makes advance payment for the raw material which is imported and a credit period of 15-30 days is extended by the domestic suppliers.

Therefore, the working capital is expected to remain intensive on account of lower credit period offered by the suppliers and subsequent higher debtors collection.

Susceptibility to volatility in raw material prices

The major raw material required in kraft paper industry is waste paper, which is highly susceptible to price volatilities given the limited availability of quality fibres and international pricing changes as majority of the waste paper is imported in India. PCL also procures nearly ~80% of the waste paper through imports from USA, Canada, Europe etc. and the remaining is sourced domestically. Therefore, the profitability remains susceptible to raw material price fluctuations, however, the firm protects its margin through pass through of such changes to its customers.

Inherent risk of withdrawal of partner's capital

In FY24, the partners withdrew nearly Rs.3.61 Cr. which reduced the net worth of the firm. Therefore, the firm is susceptible to the risk of any excess withdrawal of partner's capital limiting the growth in net-worth.

Rating Sensitivities

- Growing scale of operations while maintaining the profitability margins
- Any further debt funded capex affecting the financial risk profile and leading to deterioration in liquidity
- Elongation in working capital cycle
- Significant withdrawals by partners affecting the net worth of the firm

Liquidity Position

Adequate

The firm has adequate liquidity marked by sufficient net cash accruals of Rs.10.55 Cr. against debt repayment obligation of Rs.7.08 Cr. in FY25(Prov.). Going forward, the net cash accruals are expected to be in the range of Rs.12.00-13.00 Cr. through FY2026-27 against repayment obligations of Rs.7.50-10.00 Cr. Additionally any shortfall in debt servicing shall be managed through partner's infusions.

However, the reliance on working capital limits stood high at 97.97% utilisation levels for last 6 months ending March 31, 2025. Further, the firm has cash and bank balance of Rs. 0.31 Cr. and current ratio of 1.44 times as on 31st March, 2025(Prov.).

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	192.44	162.56
PAT	Rs. Cr.	7.41	3.32
PAT Margin	(%)	3.85	2.04
Total Debt/Tangible Net Worth	Times	0.96	1.14
PBDIT/Interest	Times	2.93	2.14

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

CARE, vide its press release dated December 30th, 2024 had denoted the rating of Panara Craft LLP as Care BB/Stable/ A4 'Downgraded and Issuer not co-operating'.

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.

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
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE A3 Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	31 Jan 2022	Not avl. / Not appl.	31 Jan 2027	6.34	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	18 Jan 2020	Not avl. / Not appl.	31 Jan 2028	12.72	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	28 Jul 2023	Not avl. / Not appl.	31 Mar 2030	6.34	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Nov 2024	Not avl. / Not appl.	31 Oct 2034	30.72	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Nov 2024	Not avl. / Not appl.	31 Jan 2032	3.00	Simple	ACUITE BBB- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Dhruvi Chauhan Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@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.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.