



Press Release
AKSHERA PAPERS
February 11, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.75	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	5.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	38.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.38.00 crore bank facilities of Akshera Papers (AP). The outlook is '**Stable**'.

Rationale for rating:

The rating reaffirmation takes into consideration subdued operating performance of the firm. The rating draws comfort from experienced management and long operational track record. However, the rating is constrained due to moderate financial risk profile and exposure to volatile in raw material prices in a highly fragmented and competitive industry.

About the Company

Established in 2001, Akshera Papers is an Erode (Tamil Nadu) based partnership firm, promoted by Mr. K. Ramesh Krishnan and Mrs. Uma Maheshwari. The firm is engaged in the manufacturing of Kraft paper in the range of 12 to 30 burst factor with grams per square meter (GSM) of 150 to 300 GSM. The firm has two manufacturing units with an installed capacity of 51,000 metric tons per annum. It also has a captive power plant with a capacity of 1.2 megawatts.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Akshera to arrive at this rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

Established in 2001, Akshera manufactures kraft paper, which is primarily used in the production of corrugated boxes and paperboards. The promoters of the company, Mr. K. Ramesh Krishnan and Mrs. Uma Maheshwari, have more than 2 decades of experience in the paper industry. The extensive experience of the management and long-standing relationship with its customers ensuring repeated orders. Acuité believes that Akshera continues to enjoy the benefit of the promoters' longstanding presence in the industry and improving its business risk profile over the medium term.

Moderate working capital operations

Working capital operations of the firm are moderate marked by its GCA of 134 days as on March 31, 2024 against

109 days as on March 31, 2023. Debtor days stood at 59 days as on March 31, 2024 against 41 days as on March 31, 2023. Creditor days are at 65 days as on March 31, 2024 against 71 days as on March 31, 2023. The inventory days stood at 68 days as on March 31, 2024 against 63 days as on March 31, 2023. The current ratio of the firm stood at 1.04 times as on March 31, 2024 against 0.96 times as on March 31, 2023. Bank limits utilization of the company were highly utilized at average of ~92.36 percent, over the past 6 months ending 31 January, 2025. Acuite believes that the working capital management of the firm will remain moderate intensive over the medium term.

Weaknesses

Subdued operating performance

The firm reported revenue of Rs.77.40 Cr. in FY24 against Rs.89.61 Cr. of FY23. This decline in revenue is primarily on account of sluggish demand in the market coupled with decrease in orders. The firm has reported the revenue of Rs. 80.59 Cr. in 9MFY25. The firm has reported EBITDA margins of 8.11 percent in FY 24 as against 3.26 per cent in FY23. PAT margin stood at 2.55 percent in FY24 as against (2.12) percent in FY23. The losses in FY23 were on account of high raw material cost due to shortage of wastepaper in the region. Acuite believes, the firm's operating performance remain moderate in the medium term owing to steady revenue growth.

Moderate financial Risk Profile

AP's financial risk profile is moderate marked by moderate net worth, moderate gearing (debt-to equity), and coverage indicators. AP's net worth is moderate at Rs. 25.93 Cr. as on March 31, 2024 as against Rs.24.26 Cr. as on March 31, 2023. Gearing is moderate at 0.94 times as on March 31, 2024, as against 1.01 times as on March 31, 2023. TOL/TNW is moderate at 1.37 times as on March 31, 2024, against 1.60 times as on March 31, 2023. Interest coverage ratio and Debt service coverage ratio's improved to 2.99 times and 1.74 times respectively as on March 31, 2024, from 1.31 times and 0.52 times of previous year. Acuite believes that the financial risk profile of AP's will remain moderate over the medium term due to low net worth base.

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

The operating margins of the firm remain susceptible to volatile in raw material (wastepaper) 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 highly intense competition and the highly fragmented industrial paper industry constrains scalability, pricing power, and product differentiation.

Rating Sensitivities

- Improvement in the scale of operations while improving profitability.
- Stretch in working capital cycle, leading to an increase in working capital requirements
- Changes in financial risk profile

Liquidity Position

Adequate

Akshera Papers' liquidity position is adequate with adequate net cash accruals to its meet maturing debt obligations. The firm generated cash accruals of Rs.4.34 Cr. for FY24, with debt repayment obligations of Rs.1.56 Cr. for the same period. Further to this the firm's unencumbered cash and bank balances stood at Rs.0.05 Cr. as on March 31, 2024 as against Rs. 0.04 Cr. as on March 31, 2023. The firm's working capital operations are moderate, marked by GCA of 134 days for FY24 as against 109 days in FY23. The current ratio of the firm stood at 1.04 times in FY24 as against 0.96 times in FY23. Bank limits utilization of the company were highly utilized at average of ~92.36 percent, over the past 6 months ending 31 January, 2025. Acuite believes that the firm's liquidity position is likely to improve in the medium term with adequate cash accruals against its debt repayments 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.	77.40	89.61
PAT	Rs. Cr.	1.97	(1.90)
PAT Margin	(%)	2.55	(2.12)
Total Debt/Tangible Net Worth	Times	0.94	1.01
PBDIT/Interest	Times	2.99	1.31

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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. Acuité'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 Nov 2023	Letter of Credit	Short Term	3.75	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.45	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	11.45	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Working Capital Term Loan	Long Term	2.35	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	16.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
16 Aug 2022	Letter of Credit	Short Term	4.75	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.60	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.65	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.00	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Karur Vysya Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.50	Simple	ACUITE A4+ Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.50	Simple	ACUITE BB Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.75	Simple	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.81	Simple	ACUITE BB Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.40	Simple	ACUITE BB Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	24 Dec 2024	Not avl. / Not appl.	27 Jun 2030	4.04	Simple	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

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