

## Delta Paper Mills Limited

March 02, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	65.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Negative (Double B; Outlook: Negative) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	17.00 (Reduced from 20.00)	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term Bank Facilities	-	-	Withdrawn
<b>Total Bank Facilities</b>	<b>82.00</b> <b>(Rs. Eighty- Two Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Delta Paper Mills Limited to monitor the rating(s) vide e-mail communications dated November 2021, February 24, 2022 among others and numerous phone calls. However, despite our repeated requests, the Delta Paper Mills Limited has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Delta Paper Mills Limited.'s bank facilities will now be denoted as **CARE BB-; Stable; CARE A4; ISSUER NOT COOPERATING\***. /**CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings have been revised on account of decline in scale of operations and operating losses incurred during FY21. The ratings continues to remain constrained by leveraged capital structure, , high reliance on bank borrowings on account of stretched liquidity and cyclical nature of paper industry. The ratings are, however, underpinned by experienced and resourceful promoters with established track record and association of the company with various State Govt. Text Book Corporations along with comfortable order book position in hand.

### Detailed description of the key rating drivers

At the time of last rating on April 01, 2021 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies,)

#### Key Rating Weaknesses

##### Decline in financial performance in FY21

The scale of operations of the company declined from Rs.241.76 crore in FY20 to Rs.81.55 crore FY21. The company has incurred a operating loss and net loss of Rs.7.72 crore and Rs.22.03 crore in FY21

##### Leveraged capital structure and weak debt coverage indicators

The capital structure of the company marked by debt equity and overall gearing ratio stood 8.33x and 15.27 as on March 31, 2021 as against 2.09x and 3.96x as on March 31, 2020. The deterioration is mainly on account of decline in net worth on account of losses.

##### Cyclical nature of the paper and pulp industry

The paper industry has a positive correlation to economic development and lower GDP growth could affect business fortunes of the players in the industry. The demand for paper in India depends upon government spending on literacy and general economic activity in the country. However, DPML derives its majority of revenue from sale of paper to government text book corporations which helps the company maintain stable sales volume.

#### Key Rating Strengths

##### Experienced and resourceful promoters with establish track record

DPML is a part of Laila Group which has interests in nutraceuticals (M/s. Laila Nutraceuticals and M/s. Fysolate Technologies), herbal extracts (M/s. Chemiloids Life Sciences (P) Ltd.), education institutions and hotel businesses (Laila Hotels & Resorts

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Private Limited). Mr. G.V.K. Ranga Raju is the Managing Director of the company and is well experienced and highly resourceful. The promoters of the company have been extending financial support as and when required in the form of unsecured loans and preference shares

#### Association with various State Govt.

Text Book Corporations DPML, being in the paper manufacturing industry for more than four decades and is managed by eminent promoters is able to garner orders from various State Govt. Text Book Corporations. The company executes orders for State Govt. of Maharashtra, Telangana, Andhra Pradesh, Orissa and Kerala. During FY20, the company generated about 70% of its sales from the execution of the orders from various State Govt. Text Book Corporations and remaining 30% is from sales at open market.

#### Analytical approach: [Standalone](#)

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

[Criteria for Short Term Instruments](#)

#### About the Company

Delta Paper Mills Limited (DPML) was established in the year 1975 and situated at Vendra Village, West Godavari Dist., Andhra Pradesh. In the year 1998, Mr. Gokaraju Ganga Raju has taken over the management of the company and has been running it successfully since then. The company manufactures writing and printing papers of different cultural varieties such as 3 CARE Ratings Limited Press Release Creamwove, White Printing, Azurewove, Azurelaid, Duplicating etc. The installed capacity of the company stood at 51,100 MT/annum. DPML caters to Govt. Text Book Corporations of Andhra Pradesh, Telangana, Maharashtra, Odisha, Tamil Nadu, Kerala, Madhya Pradesh, Assam etc.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	241.76	81.55	NA
PBILDT	23.15	-7.72	NA
PAT	8.92	-22.03	NA
Overall gearing (times)	3.96	15.28	NA
Interest coverage (times)	2.58	-0.89	NA

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL vide its press release dated May 19, 2021 has placed ratings of Delta Paper Mills Limited under "Issuer Not Cooperating" category because of lack of information.

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	17.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	Proposed	65.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB; Negative (01-Apr-21)	1)CARE BB; Stable (03-Jul-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (18-Mar-20) 2)CARE BB-; Stable (04-Apr-19)	-
2	Non-fund-based - ST-BG/LC	ST	17.00	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4 (01-Apr-21)	1)CARE A4 (03-Jul-20)	1)CARE A4; ISSUER NOT COOPERATING * (18-Mar-20) 2)CARE A4 (04-Apr-19)	-
3	Fund-based - LT-Bank Overdraft	LT	-	-	1)CARE BB; Negative (01-Apr-21)	1)CARE BB; Stable (03-Jul-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (18-Mar-20) 2)CARE BB-; Stable (04-Apr-19)	-
4	Fund-based - LT-Term Loan	LT	65.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Negative (01-Apr-21)	1)CARE BB; Stable (03-Jul-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (18-Mar-20) 2)CARE BB-; Stable (04-Apr-19)	-

\* Long Term / Short Term

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**