

Rayana Paper Board Industries Limited

February 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	62.63	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Rayana Paper Board Industries Limited to monitor the rating(s) vide e-mail communications dated November 07, 2023, November 16, 2023, December 18, 2023, January 04, 2024, and numerous phone calls. However, despite our repeated requests, the company 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 Rayana Paper Board Industries Limited's bank facilities will now be denoted as **CARE BB+ /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 to the bank facilities of Rayana Paper Board Industries Limited (RPBIL) have been revised to CARE BB+; Stable/ CARE A4+ due to non-availability of requisite information for monitoring of ratings. Therefore, on the basis of best available information, the ratings are constrained by elongated operating cycle and highly competitive nature of industry with susceptibility to volatility in raw material prices. The ratings, however, derive comfort from vast experience of the promoters in the paper industry along with company's long track record of operations, diversified product profile and established distribution network. The ratings also favourably factor in improvement in scale of operations during FY23 (refers to the period April 01 to March 31), comfortable financial risk profile characterized by low overall gearing and comfortable debt coverage indicators.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating as on December 02, 2022, the following were the rating strengths and weaknesses (updated for the information available from Ministry of Corporate Affairs website).

Key weaknesses

Elongated operating cycle: The company usually has an elongated working capital cycle, however the same improved to 102 days as on March 31, 2023 (PY: 108 days). The same has been primarily owing to liquidation of inventory supported by steady demand leading to improvement in average inventory holding period to 94 days as on March 31, 2023, as against 107 days as on March 31, 2022. Even in the normal course of business, the company has to maintain large inventory of wastepaper as the location of its manufacturing unit is not in close proximity to the required sources/ suppliers. Besides this, the company offers credit period of around 1 to 1.50 months to its dealers and receives payable period of around 1 month.

Highly competitive industry along with susceptibility of margins to volatile raw material prices: The paper industry is highly fragmented in nature with stiff competition from a large number of organized as-well-as unorganized players. This limits the pricing power of the manufacturers in terms of flexibility to pass on the raw material price fluctuation to its customers. The prospects of paper manufacturer using recycling processes are dependent on the wastepaper market trend which has exhibited high volatility during last three years. Also, the industry is impacted by economic cycles. Raw material cost constituted approximately 73% of the total cost of goods sold in FY23 (PY: ~83%) for RPBIL. Therefore, the operating profitability of the company remains highly susceptible to any volatility in raw material prices.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Improved scale of operations: The total operating income of the company stood at Rs.333.95 crore during FY23, recording y-o-y growth of 35 per cent over previous year. The growth is driven by better overall realizations of the products driven by uptick in paper demand and firming up of prices during FY22. Furthermore, the company undertook the capacity enhancement project, which was commissioned on March 10th, 2020, which contributed towards substantial growth in volumes marked by 63,231.46 tons of products sold during FY22 as against 38,160.95 tons during FY21. The said capacity enhancement could not yield significant results during FY21, owing to Covid-led lockdowns and subdued demand for W&PP segment. Further, PBILDT margins slightly declined to 6.77% in FY23 (PY: 7.88%) mainly due to increase in power and fuel cost.

Comfortable financial risk profile: The capital structure remained comfortable with overall gearing ratio of below 1x in the past five fiscals, however slightly deteriorated and stood at 0.96x (PY: 0.90x) as on March 31, 2023, attributed to higher working capital utilization with growing scale of operations. The debt coverage indicators stood moderate marked by interest coverage ratio and total debt to GCA of 4.45x and 4.84x, respectively as on March 31, 2023 (PY: 2.96x and 5.30x, respectively).

Experienced Promoters along with long track record of operations: The company is promoted by Mr Lal Ji Singh, Mr Ramji Singh and Mr. Bijendra Singh. Mr Lalji Singh and Mr. Ramji Singh have an experience of more than 2 decades and Mr. Bijendra Singh has an experience of more than one and a half decade in the industry as the promoters of RPBIL. Mr. Lal Ji Singh, the current managing director of RPBIL, has done his graduation in science. He has worked in Government of Assam as Forest Contractor for 10 years and thereafter joined the company in 1992. Further, Mr. Ram Ji Singh, has done his graduation in Commerce and is heading the finance, administration and marketing functions in the company. Mr. Bijendra Kumar Singh was earlier associated with timer and spare parts business and now is looking at the day-to-day affairs regarding the purchase of raw materials in the company.

Diversified product profile and segment-base alongside established distribution network: RPBIL manufactures Kraft paper, W&PP along with Newsprint paper with a GSM range of 58 to 100 as per ISO standards and the paper manufactured by the company finds application in printing, writing, publishing, stationery, notebooks and packaging sectors. Further, the company diversified into varied segments by undertaking capital expenditure to augment capacity during FY18-FY20. During FY22, the company derived major share of its revenue (of total gross sales) from Writing and Printing Paper segment accounting for 47%, followed by Kraft Paper segment contributing 32% and newsprint paper segment, contributing 21%. Further, the company sells its paper products under the brand name 'Rayana' with marketing and dealer network spread across Uttar Pradesh, Rajasthan, Madhya Pradesh, Delhi, Bihar, West Bengal, Assam and Ahmedabad, among others. Moreover, in newsprint segment it caters to some of the renowned players like Dainik Jagran, Rashtriya Sahara, Hindustan Media Ventures, Aaj Prakashan etc. During FY22, the company derived ~34% of total gross sales from top-10 distributors (PY: ~36%).

Liquidity: Adequate

Adequate liquidity considering sufficient cushion in accruals vis-à-vis repayment obligations of Rs.6.24 crore in FY24 and moderate cash and bank balance of Rs.13.32 crore as on March 31, 2023. Operating cycle of the company improved to 102 days as on March 31st, 2023, as against 108 days as on March 31st, 2022, on account of decrease in average inventory holding period to around 94 days FY23 (PY: 107 days). The company has above unity current ratio of 1.70x as on March 31, 2023 (PY: 1.61x as on March 31, 2022).

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Paper Industry](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

Rayana Paper Board Industries Limited (RPB) is a closely held public limited company incorporated in December 1986 (operations started in 1989) and promoted by Mr. Lal Ji Singh and his brothers, Mr. Ram Ji Singh and Mr. Bijendra Kumar Singh. The company has two manufacturing units located in Village Dharuhera, Uttar Pradesh. Unit-I is used for the manufacturing of Kraft paper with an installed capacity of 26,400 MTPA, and Unit -II (PM-1) is used for manufacturing of Writing & Printing paper (WPP) with an installed capacity of 16,500 MTPA whereas Unit-II (PM-2) is used for the manufacturing of Writing and Printing Papers along with Newsprint Papers with an installed capacity of 33,000 MTPA. Further, the company also has 3 MW biomass (rice husk) based captive power plant. RPBIL sells its paper products under the brand name "RAYANA" all over India.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	248.19	333.95
PBILDT	19.56	22.59
PAT	5.61	9.44
Overall gearing (times)	0.90	0.96
Interest coverage (times)	2.96	4.45

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: India Ratings and Research Private Limited assigned the ratings to the bank facilities of Rayana Paper Board Industries Limited into 'Issuer not-cooperating' category vide press release dated August 18, 2021, and continued the same vide press release dated September 12, 2023 on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	44.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	April 2026	16.67	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	February 2025	1.96	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	44.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (02-Dec-22)	1)CARE BBB-; Stable (13-Jan-22) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (17-Sep-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (01-Sep-20)
2	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (02-Dec-22)	1)CARE A3 (13-Jan-22) 2)CARE A4; ISSUER NOT COOPERATING* (17-Sep-21)	1)CARE A4; ISSUER NOT COOPERATING* (01-Sep-20)
3	Fund-based - LT-Term Loan	LT	16.67	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (02-Dec-22)	1)CARE BBB-; Stable (13-Jan-22) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (17-Sep-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (01-Sep-20)
4	Fund-based - LT-Working capital Term Loan	LT	1.96	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (02-Dec-22)	-	-

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of all the entities consolidated:** Not Applicable

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Sajan Goyal Director CARE Ratings Limited Phone: 91-120-4452017 E-mail: sajan.goyal@careedge.in Sachin Mathur Associate Director CARE Ratings Limited Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Amisha Jain Analyst CARE Ratings Limited E-mail: Amisha.jain@careedge.in
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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