

Tridev Kraft Paper Private Limited

September 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.95	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	5.05	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Tridev Kraft Paper Private Limited (TKPPL), CARE Ratings Limited has taken a combined analytical view of TKPPL and its group company – Tridev Packtech Private Limited (TPPL; rated CARE BB-; Stable/ CARE A4) together referred to as Tridev Group (TG), on account of their common promoter group, presence in similar line of business and financials as well as operational linkages.

The ratings assigned to the bank facilities of TG are constrained by stabilization risk associated with recently incurred debt-funded capex in TKPPL and on-going debt-funded capex in TPPL, modest scale of operations and moderate operating profitability, leveraged capital structure along with modest debt coverage indicators, group's presence in a cyclical and fragmented paper packaging industry.

The ratings, however, derive strength from group's experienced promoters, synergy of operations through backward integration and concentrated albeit reputed clientele base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant volume driven growth in group's Total Operating Income (TOI) with Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of more than 12% on sustained basis.
- Improvement in capital structure with substance of overall gearing below 2x along with improvement in debt coverage indicators.

Negative factors

- Delay in the scaling-up of the operations resulting in moderation in financial risk profile.
- Any incremental borrowings other than envisaged that led to deterioration of capital structure marked by overall gearing of more than 3x.

Analytical approach: Combined

Combined approach of TPPL and TKPPL (together referred to as Tridev Group; TG) on account of these entities being engaged in the same line of business, i.e., paper packing industry with common promoter group and financial as well as operational linkages.

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the group's operations are likely to stabilise in FY25 with growth in total operating income, alongwith continued infusion of need-based funds from the promoters.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and modest debt coverage indicators

As on March 31, 2024, Group's overall Gearing remained leveraged at 1.64x (PY: 4.83x) owing to higher debt levels due to term loans taken for recently concluded debt funded capex (in TKPPL) as well as moderate working capital utilization. It is expected to be remained leveraged for FY25 as well owing to increase in term debt during the current year for the ongoing capital expenditure in TPPL.

Further, owing to higher debt levels and moderate profitability and GCA level in absolute terms, debt coverage indicators remained modest marked by total debt to GCA of 22.30x (PY: 7.40x) and interest coverage of 2.08x (PY: 2.34x) at FY24 end. Group has Total outside liabilities/ Tangible Networth (TOL/TNW) of 1.97x as on March 31, 2024 (5.78x as at FY23 end) owing to a moderate

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

networth base of Rs.20.72 crore (PY: Rs. 2.15 Crore) and it is expected remain above 2.00x during the projected period owing to availment of additional debt in FY25.

Modest scale of operations and moderate profitability

For FY24, the scale of operations of the group remained modest.

TPPL registered significant growth in TOI by ~48% to Rs.31.73 crore during FY24 (FY23: Rs.21.46 crores) owing the increase in the demand from top customer Suzuki Motors Gujarat Private Limited (SMGPL). Balance sales are to the Amul Dairy cooperatives of Gujarat and other small customers. TPPL has moderate operating margin of 7.82% in FY24 (FY23: 10.41%) decreased by 260 bps on account of increase in raw material prices and PAT margin decrease to 1.84% in FY24 against 2.99% in FY23.

TKPPL had no major operations in FY24.

Group TOI for FY25 is expected to grow with sustained operating margin in the range of 9-10%, driven by the expanded capacity of TPPL and commencement of operations of kraft paper manufacturing in TKPPL.

Stabilization risk associated with recently conducted capex

TPPL has undertaken a capex to expand its capacity for corrugated box production from 24 metric tonnes per day (MTPD) to 94 MTPD. This expansion is driven by increased demand from SMGPL, its major customer. The said project is funded through term debt of Rs. 17.63 crores and balance by promoters' equity of Rs. 6.08 crore, unsecured loans of Rs. 4.95 Crore and remaining from internal accruals. This new unit is setup near the existing unit at the same land as this land is sufficient to setup the new machinery for expansion of unit. Entire debt for the same is expected to be availed in FY25.

TKPPL has implemented greenfield project to set up manufacturing plant of Kraft paper with installed capacity of 130 MTPD (39,000 MTPA). The project is implemented with an object of function partially as backward integration to existing product corrugated boxes manufactured under TPPL. The estimated project cost is Rs. 43.85 Crore and it is funded through term debt of Rs. 22.80 crores and balance by promoters' equity of Rs. 9.96 crore, unsecured loans of Rs. 11.10 Crore. The plant is already operationalised from May 2024 and registered revenue of ~Rs. 20 Crore for 4 months ended August 2024.

Key strengths

Experienced Promoters

Tridev Group is promoted by Mr. Vijaykumar Patel and Mr. Hareshkumar Patel. The Promoters have an experience around five years in the packaging industry including technical, commercial and strategic exposure in manufacturing, marketing, and trading of various paper and packaging segment through two partnership firms, Shiv packaging and Shiv Containers (now Tridev Packtech Private Limited).

Improved operational efficiency through backward integration with existing product

Promoters of group have implemented a greenfield project to set up manufacturing plant of Kraft paper under TKPPL to function partially as a backward integration to TPPL which is engaged in manufacturing of corrugated boxes. Plant of TKPPL is in vicinity of TPPL which will provide benefit to TPPL in terms of reduced transportation cost and easily available raw materials, and also result in improvement in overall profitability of the group.

Concentrated though reputed clientele base

TPPL has a concentrated customer profile, with top two customers contributing around 78% of company's net sales in FY24. High customer concentration may expose the company to the risks of revenue loss / low profitability in case of slowdown in off-take by this customers / loss of customers. However, TPPL's clientele is reputed with 40% of sales contributed by SMGPL, and another 38% contributed by Amul group dairy cooperatives. The remaining sales are derived from other 15-20 small customers in the pharmaceutical and food and beverage sectors.

TKPPL has started its operations from May 2024 and a large part of its sales is expected to be towards TPPL.

Liquidity: Stretched

Liquidity of Group remains stretched mainly due to tightly matched Gross Cash Accruals (GCA) vis-a-vis repayment obligations. As articulated by the management, any shortfall in funds shall be funded through infusion of unsecured loans by the promoters. The promoters have infused additional funds (equity and USL) of Rs.8.64 crore post FY24 in both the entities.

Cash flow from operation stood negative at Rs.11.54 Crore in FY24 (PY: Rs.0.35 Crore), due to growth in scale of operations alongwith modest cash and bank balance of Rs. 0.06 crore (PY: Rs. 0.41 crore) at FY24 end. Further, operating cycle of the group remains moderate at 77 days at FY24 end (76 days at FY23 end). Average utilization for fund-based limits is, ~65-70% for last six months ended August 2024 in TPPL, while limits remained fully utilized in TKPPL during its period of operations from May 2024 till Sep 05, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Financial Ratios - Non-Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

[Paper & Paper Products](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

Gujarat based, Tridev Kraft Paper Private Limited was incorporated as on November 16, 2022, with object to manufacturing, selling and trading of Kraft Papers out of wastepaper to be used as raw material for packing products. The project is located in Mehsana.

TKPPL has implemented greenfield project to set up manufacturing plant of Kraft paper with the installed capacity of 130 MTPD. The object of the project is to function partially as backward integration to TPPL which is engaged in manufacturing of corrugated boxes. TKPPL has started its operations from May 2024.

Combined

Brief Financials (₹ crore)	FY 2023 (UA)	FY 2024 (UA)
Total operating income	21.46	31.79
PBILDT	2.23	2.49
PAT	0.64	0.60
Overall gearing (times)	4.83	1.64
Interest coverage (times)	2.34	2.08

UA: Unaudited (Audited financials of FY23 of TPPL considered as TKPPL did not have any operations in FY23); Provisional financials of FY24 of TPPL and TKPPL combined by CARE Ratings Ltd; Note: 'the above results are latest financial results available'

Standalone

Brief Financials (₹ crore)	FY24 (Prov.)	4MFY25 (Prov.)
Total operating income	0.06	20.00
PBILDT	0.01	NA
PAT	0.01	NA
Overall gearing (times)	3.06	NA
Interest coverage (times)	1.06	NA

Prov.: Provisional; NA: Not availed; 4MFY25: 4 months started from May 2024; Note: 'the above results are latest financial results available' 4 months started from May 2024

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term		-	-	March 2033	22.80	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	4.90	CARE BB-; Stable / CARE A4
Fund-based/Non-fund-based-LT/ST		-	-	-	0.15	CARE BB-; Stable / CARE A4
Non-fund-based-Long Term		-	-	-	1.15	CARE BB-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based-Long Term	LT	22.80	CARE BB-; Stable	-	-	-	-
2	Non-fund-based-Long Term	LT	1.15	CARE BB-; Stable	-	-	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	4.90	CARE BB-; Stable / CARE A4	-	-	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	0.15	CARE BB-; Stable / CARE A4	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based-Long Term	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

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

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About us:

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