

## Devashray Papers (India) LLP

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	140.00	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	16.00	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	34.00	CARE A4; ISSUER NOT COOPERATING*	Rating 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 Limited (Care Ratings) has been seeking information from Devashray Papers (India) LLP (DPL) to monitor the ratings through email communications on November 07, 2024, November 04, 2024, October 28, 2024, October 22, 2024, October 15, 2024, October 08, 2024, among others, and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information needed to monitor the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings based on the best available information, which, however, in CARE Ratings Ltd.'s opinion, is not sufficient to arrive at a fair rating. Further, DPL has not paid the surveillance fees for the rating exercise as agreed in its Rating Agreement. The ratings on DPL's bank facilities will now be denoted as **CARE B; Stable/CARE A4; ISSUER NOT COOPERATING\***.

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

The ratings assigned to the bank facilities of DPL have been revised due to the non-availability of adequate information for carrying out the review of the ratings. The ratings remain constrained by the vulnerability of profit margins to volatility in raw material prices and forex fluctuation risk. The ratings are also constrained by DPL's constitution as a partnership entity and its presence in a highly competitive and fragmented industry and nascent stages of operations. However, the ratings derive strength from the firm's experienced and resourceful promoters.

**Analytical approach:** Standalone

### Outlook: Stable

Stable outlook reflects CARE Ratings' expectations that the firm will continue to benefit from the experience of its partners in industry and sustain its moderate financial risk profile in near to medium term.

### Detailed description of the key rating drivers

At the time of last rating on December 29, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key weaknesses

##### Stabilisation risk associated with recently implemented debt-funded capex

DPL has implemented a greenfield project to set up a manufacturing unit for specialty papers and writing and printing papers, with an installed capacity of 300 MT per day. The firm plans to focus on manufacturing high-grade specialty papers used in the laminate industry, pharma industry, and retail business. The firm achieved a TOI of Rs. 30.49 crore during FY24. The firm's clientele includes reputed players such as Navneet, Camlin, Gopi, and Gala.

##### Vulnerability of margins to volatility in raw material prices along-with forex fluctuation risk

Most manufacturers of decorative laminates in India use imported raw materials, which results in a high cost of decorative laminates. The raw materials used for specialty paper are pulp (from wood chips, recycled paper, wood pulp, and cotton fibre), which is fed into the paper-making machine. The prices of pulp are volatile, exposing the firm to fluctuations in margins. However, the firm usually passes on the increase in the price of imported raw materials to its customers. Presently, the firm does not have any hedging policy in place; however, the firm is planning to implement a hedging policy in the future. The firm procures raw materials mainly from Indonesia, Brazil, the USA, etc.

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

### Constitution as a partnership entity

Being a partnership firm, DPL is exposed to the inherent risk of partners' capital being withdrawn at time of personal contingency, and firm being dissolved upon the death/retirement/insolvency of the partners.

### Presence in highly competitive and fragmented industry

The Indian paper and paperboard industry is highly fragmented, with stiff competition from a large number of organised as well as unorganised players. This limits the pricing power of manufacturers in terms of flexibility to pass on raw material price fluctuations to their customers.

### Key strengths

#### Experienced and resourceful partners

DPL is promoted by Naranbhai Desai, Vinod Jaiswal, and Hasmukhbhai Patel, and is presently owned by Naranbhai Desai (majority stake of 90%). He has been involved in the paper industry for more than two decades and thus has a long-standing relationship with suppliers, distributors, and clients in the industry. Further, the partners are resourceful and have infused around Rs.75 crore into the firm for the implementation of the project. During FY24, the partners further infused nearly Rs.10 crore in the form of unsecured loans to support the operations of the firm, given its nascent stage of operations.

**Assumptions/Covenants:** Not applicable

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

### Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Paper & Paper Products](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the Firm and industry

#### Industry classification

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

Gujarat-based DPL was incorporated on September 24, 2018, for the manufacturing of speciality papers, writing and printing papers. The firm has implemented a greenfield project for manufacturing of different varieties of speciality papers, writing and printing papers with a capacity of 90000 MTPA as on October 30, 2023. The firm commenced commercial operations on September 04, 2023.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	30.49
PBILDT	0.00	1.84
PAT	0.00	-17.54
Overall gearing (times)	0.95	2.36
Interest coverage (times)	0.00	0.21

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**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 - LT-Cash Credit		-	-	-	50.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Letter of credit		-	-	-	16.00	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	34.00	CARE A4; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	March 2031	90.00	CARE B; Stable; ISSUER NOT COOPERATING*

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

**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	Term Loan-Long Term	LT	90.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (29-Dec-23)	-	-
2	Fund-based - LT-Cash Credit	LT	50.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (29-Dec-23)	-	-
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST	16.00	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (29-Dec-23)	-	-
4	Non-fund-based - ST-Letter of credit	ST	34.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (29-Dec-23)	-	-

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

LT: Long term; ST: Short 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 - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Letter of credit	Simple
3	Non-fund-based - ST-Letter of credit	Simple
4	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

To 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](mailto:care@careedge.in) for clarifications.

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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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