Himalay Paptech Private Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	14.65 (Reduced from 16.54)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	15.00	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	1.10	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Himalay Paptech Private Limited (HPPL) continue to remain constrained on account of moderate scale of operations and profitability, leveraged capital structure coupled, moderate debt coverage indicators and stretched liquidity. Ratings, also factor high degree of competitive intensity in kraft paper manufacturing industry along with susceptibility of the profitability to volatility raw material prices.

Ratings, however, continue to derive strength from experienced promoters in the paper industry and close proximity to raw material sources and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations marked by total operating income (TOI) of Rs.150 crore or more with sustaining operating profit margins.
- Improvement in capital structure led by overall gearing of 2.50 times or lower.

Negative factors

- Decline in TOI by 20% or more along with dip in gross cash accruals (GCA).
- Higher than envisaged debt level leading to deterioration in capital structure than current level.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited’s (CARE Ratings) expectations that the company will continue to benefit from the vast experience of its promoters and is likely to sustain its overall moderate financial risk profile marked by moderate scale of operation and profitability margins.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operation and moderate profitability

HPPL’s TOI grew by 17% during FY24 over FY23, reaching Rs.122.48 crore (FY23: Rs.104.69 crore). The same was driven by growth in the sales volume by ~35% in FY24 over FY23 despite moderation of ~14% in the sales realisation. In H1FY25, company reported TOI of Rs.67.60 crore.

The profitability margin, indicated by the profit before interest, lease, depreciation and tax (PBILDT) margin, remained moderate at 6.35% in FY24 (FY23: 6.25%) and improved to ~10% in H1FY25. However, due to moderate depreciation and interest cost, profit after tax (PAT) margin remained thin at 0.27% in FY24 (FY23: 0.27%).

Overall, company reported largely stable GCA at Rs.4.06 crore in FY24 as against Rs.4.18 crore in FY23.

Leverage capital structure and moderate debt coverage indicators

The capital structure of HPPL, remained leverage marked by overall gearing of 4.81 times as on March 31, 2024, as against 4.11 times as on March 31, 2023. Marginal deterioration in overall gearing was on account of increase in the working capital borrowing as well as unsecured loan (USL) to fund the operations.

Debt coverage indicators remained moderate marked by total debt to GCA (TDGCA) and PBILDT interest coverage of 9.77 years (FY23: 8.14 years) and 1.98x (FY23: 2.66x) in FY24. Total debt to PBILDT to remained moderate at 5.10x in FY24 (FY23: 5.19x).

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

Presence in competitive paper industry with susceptibility of profitability to volatility in raw material prices and forex rates

HPPL operates in a competitive kraft paper manufacturing industry, which has low entry barriers and characterised by high fragmentation with the presence of the large nos. of mid-sized along with few large entities. This restricts the pricing power to some extents.

Waste paper as well as power and fuel are two crucial input cost for paper manufacturing. Coal prices are volatile and hence impacts the profitability of the entity. HPPL is planning to add renewable capacity (solar power plant), which, upon completion shall led to saving in the power and fuel cost, while improving its profitability.

Wastepaper prices are volatile and highly correlated with the demand-supply dynamics. Around 60-70% of HPPL's wastepaper requirement is met from imports, hence its profitability is also exposed to the fluctuation in forex rates, as entity is a net importer. Hence, any adverse changes in wastepaper prices or forex rates can have a negative impact on its profit margins.

For sustainable profitable operations, it is imperative for domestic players to increase the mill size and use new efficient technology and move towards forward integration for manufacturing corrugated boxes.

Key strengths

Experienced promoters with established track record of operations

HPPL is being incorporated and managed by promoters Mr. Nailesh Patel and Mr. Sanjay Patel. Mr. Nailesh Patel has an experience of around a decade in same line of business working with its associate concerns and looks after production and finance department in HPPL. Further, Mr. Sanjay Patel is also having an experience of more than a decade in same line of business through its associate concern and is looking after marketing department in HPPL. Promoters are assisted by Mr. Ravji Patel who has an experience of around a decade and Mr. Ramesh Patel who also have an experience of more than two decades. They jointly look after purchase and operation department in HPPL.

Close Proximity to raw material sources and favourable industry scenario

The manufacturing facility of HPPL is in Mehsana district, the industrial hub of Gujarat. The location also provides proximity to source raw materials with smooth supply at competitive price and lower logistic expenditure (both on the transportation and storage). It enjoys good road, rail and air connectivity leading to better lead time and facilitating delivery of finished products in a timely manner.

Liquidity: Stretched

HPPL's liquidity remained stretched marked by low cash accruals, high dependence on working capital bank borrowing and moderate liquidity ratios. The company is expected to achieve GCA of ~Rs.5.00 crore, as against debt repayment of Rs.2.78 crore in FY25. The average utilization of its working capital borrowings remained at around 96.17% while maximum utilization remained at 98.07% during the last 12 months ended October 31, 2024.

HPPL's Cash and bank balance remained low at Rs.0.99 crore as on March 31, 2024. Operating cycle remained moderate with 67 days during FY24 as against 43 days during FY23.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Paper & Paper Products]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]

About the company and industry

Industry classification

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

Mehsana (Gujarat) based Himalay Paptech Private Limited (HPPL) was incorporated on November 01, 2019, by Mr. Nailesh Patel and Mr. Sanjay Patel. HPPL is engaged into manufacturing of Kraft Paper ranging from 16BF to 28BF (Burst factor) which is used in manufacturing of corrugated boxes. HPPL had commenced operations from April 22, 2022, Post completion of its green field project in March 2022. HPPL's sole manufacturing facility is located at Mehsana, Gujarat with an installed capacity of 170 Metric Tons Per Day (MTPD) as on November 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	104.69	122.48	67.60
PBILDT	6.55	7.78	7.43
PAT	0.28	0.34	-
Overall gearing (times)	4.11	4.60	-
Interest coverage (times)	2.66	1.98	3.49

A: Audited UA: Unaudited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	30/06/3030	14.65	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	15.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee	-	-	-	-	1.10	CARE A4

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 - LT-Term Loan	LT	14.65	CARE BB; Stable	-	1)CARE BB; Stable (05-Feb-24)	1)CARE BB; Stable (25-Jan-23)	1)CARE BB-; Stable (19-Nov-21)
2	Fund-based - LT/ ST-Cash Credit	LT/ST	15.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (05-Feb-24)	1)CARE BB; Stable / CARE A4 (25-Jan-23)	1)CARE BB-; Stable / CARE A4 (19-Nov-21)
3	Non-fund-based - ST-Bank Guarantee	ST	1.10	CARE A4	-	1)CARE A4 (05-Feb-24)	1)CARE A4 (25-Jan-23)	1)CARE A4 (19-Nov-21)

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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - ST-Bank Guarantee	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 for clarifications.

Contact us

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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.

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