

Harpritam Industries Private Limited

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE BB; Stable	Assigned
Long Term Bank Facilities	5.00 (Enhanced from 3.00)	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the Bank Facilities of Harpritam Industries Private Limited (HIPL) continue to remain constrained by small scale of operations, profitability susceptible to volatility in raw-material prices, intensively competitive nature of industry and working capital intensive nature of operations. The ratings continue to derive comfort from the strong promoters' background, backward integration of operation for group's bottling business, strong group entities albeit high exposure to them, and moderate financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations to more than Rs. 75 crores and PBILDT margin more than 8% on a sustained basis.
- Diversification and expansion of customer base.
- Substantial improvement in capital structure by way of increase in net worth base on a sustained basis.

Negative factors

- Any debt laden capex leading to deterioration in overall gearing ratio above 2x on a sustained basis.
- PBILDT margin of the company falling below 5% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that despite small scale of operation, the entity is likely to sustain its stable business risk profile due to its strong promoter background and benefits accruing from the integrated nature of operations. Also, the company is expected to benefit from capex undertaken which will lead to improvement in operational and financial performance, as well as a reduction in dependence on group entities.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations: HIPL is a small player in the corrugated packaging manufacturing industry, with an installed capacity of 4,800 MTPA as of March 31, 2024. Production increased from 47.60 lakhs boxes in FY23 to 60.97 lakhs boxes in FY24. The company generated a revenue of Rs.18.62 crore (PY: Rs.15.23 crore) and had a net worth of Rs.10.98 crore (PY: Rs.10.23 crore) in FY24. However, the scale of operations remains small, which continues to limit the company's financial flexibility during periods of stress and prevents it from benefiting from economies of scale.

HIPL in FY24 undertook a capex for automation of operations which is expected to substantially enhance its current production capacity (from 0.50 crore boxes per year to around 3.6 crore boxes per year) and the same is in production stage from December 2024. There has been time overrun by around 6 months in the project (estimated to start from June'24 during last review) leading to marginal cost overrun which has been met from internal accruals. The total debt draw-down for the capex has been Rs.4.00 crore. Going forward, the enhanced capacity is expected to lead to improved scale of operations and also help in reducing dependency on group companies with sales to other established players in the industry in the near to mid-term.

Profitability susceptible to volatility in raw-material prices: Kraft paper, which constitutes approximately 85-90% of the cost of sales, is the primary raw material for HIPL. Due to its price volatility and lack of substitutes, any significant fluctuations in the cost of kraft paper can adversely impact HIPL's profitability.

Intensively competitive nature of industry: The corrugated packaging industry is highly fragmented, predominantly consisting of micro, small, and medium enterprises (MSMEs). This leads to an oversupply situation and low entry barriers.

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

Consequently, the industry is price competitive, with end-users having significant bargaining power due to their bulk purchase requirements, making it challenging for manufacturers to maintain price flexibility.

Working capital intensive nature of operations: The working capital cycle of the company improved however, continued to remain stretched marked by operating cycle of 139 days in FY24 (175 days in FY23) majorly owing to high collection period of 171 days in FY24 (178 days in FY23).

Key strengths

Strong promoters and group entities albeit high exposure to group companies: HIPL is a part of Bhatia group, which is an established business group of Chhattisgarh with presence in diverse industries. The group is mainly engaged in the manufacturing & selling of alcohol & beverages. The group also provides bottling services to major Indian Made Foreign Liquor (IMFL) manufacturers in India (like Pernod Ricard, Radico Khaitan, Allied Blenders & Distilleries). The group is also engaged in construction & real estate development, coal washeries, etc.

HIPL had significant exposure to its group companies in the form of strategic equity investment, loans & advances along with trade receivables against the sales. The total exposure to group companies stood at Rs. 18.03 crore in FY24 (including Rs.8.65 crore of debtors) as against Rs. 15.48 crore in FY23. The company has also availed unsecured loan from promoter & group companies to the tune of Rs. 6.09 crore as on March 31, 2024 (PY: Rs. 6.09 crore), thus having a net exposure of Rs.11.94 crore to the group companies against a net worth base of Rs. 10.98 crore as on March 31, 2024.

Backward integration of operation for group's bottling business: As part of backward integration plan for its group's bottling business, the promoters set up a manufacturing facility of corrugated boxes in HIPL. ~71% of HIPL's revenue in FY24 (PY: ~81%) was derived from sales to group companies - Bhatia Wines Merchant Private Limited (rated CARE BBB-; Stable) and Golden Prince Wines India Private Limited (rated CARE BBB-; Stable).

Moderate financial risk profile: The entity's capital structure stood moderate, as marked by an overall gearing of 1.38x as on March, 31, 2024 (1.14x as on March, 31, 2023). Its debt profile largely comprises external debt in the form of working capital, unsecured loans from promoters and term debt. The total outside liabilities to net worth stood moderate at 1.92x as on March, 31, 2024 (improved from 1.42x as on March, 31, 2023). The moderation in capital structure was on account of debt funded capex and increase in working capital borrowings to fund the increase in scale of operations. Debt coverage indicators stood strained, as marked by adequate PBILDT interest coverage of 2.22x in FY24 (1.20x in FY23) and very high total debt to GCA (TD/GCA) of 14.11x in FY24(21.89x in FY23). Going forward, the capital structure is expected to improve in the mid-term.

Liquidity: Adequate

Liquidity has been marked adequate by sufficient cushion in accruals vis-à-vis nil debt repayment obligations in FY24. However, the average utilization of bank limits was around 91% during the 12 months ended on November 30, 2024. HIPL had an unencumbered cash & bank balance of Rs. around Rs. 0.26 crore as on Mar 31, 2024. HIPL reported GCA of Rs. 1.07 crore in FY24. The company has a term debt repayment obligation of Rs. 0.68 crore in FY25 out of which Rs. 0.51 crore has been serviced till December 31, 2024.

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](#)

About the company and industry

Industry classification

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

Harpritam Industries Pvt Ltd (HIPL: erstwhile known as Goldy Infrastructure Pvt. Ltd.), incorporated in 1997, is engaged in the manufacturing & selling of corrugated boxes, based in Bilaspur, Chhattisgarh with an installed capacity of 4,800 MTPA. HIPL is a part of the Bhatia group of companies, which are primarily engaged in manufacturing & selling of alcohol & beverages in Chhattisgarh. HIPL commenced commercial production of corrugated boxes from Apr 01, 2012 as a backward integration initiative for packaging purpose for the bottling business of its group entities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	15.23	18.62	10.11
PBILDT	0.61	1.35	0.95
PAT	0.28	0.75	0.39
Overall gearing (times)	1.14	1.38	-
Interest coverage (times)	1.20	2.22	-

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	February 2031	4.00	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 - LT-Cash Credit	LT	5.00	CARE BB; Stable	1)CARE BB; Stable (02-Apr-24)	-	1)CARE BB; Stable (30-Mar-23)	1)CARE BB; Stable (10-Feb-22)
2	Fund-based - LT-Term Loan	LT	4.00	CARE BB; Stable				

LT: Long 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	Fund-based - LT-Term Loan	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.

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