

Himalay Paptech private Limited

January 25, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.69 (Enhanced from 19.08)	CARE BB; Stable	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Long Term / Short Term Bank Facilities	15.00 (Enhanced from 7.50)	CARE BB; Stable / CARE A4	Revised from CARE BB-; Stable / CARE A4 (Double B Minus ; Outlook: Stable / A Four)
Short Term Bank Facilities	1.10	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Himalay Paptech Private Limited (HPPL) is on account of stabilization of operations with successful completion of debt funded capex and commenced operations from April 2022 onwards. The ratings, also factor experienced management along with benefit of close proximity to raw material sources and favourable industry scenario and stable demand indicators for the end user industry.

The ratings, however remained constrained on account of high degree of competitive intensity of paper industry along with susceptibility to volatility in prices of raw material and HPPL's stretched liquidity profile.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Reporting scale of operations marked by TOI of Rs. 150 crores with operating margin above 10% on sustained basis
- Improvement in capital structure marked by overall gearing of below 1.50 times

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Reporting lower than envisage operating income or profitability resulting in lower cash accruals putting pressure on liquidity
- Any major debt funded capex leading to deterioration in capital structure than current level
- Any changes in government regulation which adversely impacts the operations of the company

Detailed description of the key rating drivers

Key Rating Strengths

Stabilization of operations after successful completion of debt funded capex

HPPL has successfully completed green field project for manufacturing of Kraft and absorbent Paper at Mehsana, Gujarat, with a total incurred cost of Rs.32.21 crore. Operations commenced from April 22, 2022 against the projected time of January 2022. Few months delay in commencement of operations is due to delay in financial closure as well as late availability of machinery through import. HPPL has achieved TOI of Rs.87.02 crore till January 09, 2023.

Experienced promoters

HPPL is incorporated and managed by 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 looks after marketing department in HPPL. These two will be 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 will 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 of Gujarat, which is the most industrial hub of Gujarat. The location also provides proximity to sources of raw material access and smooth supply of raw materials at competitive prices 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.

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

Stable demand indicators for the end user industry

With Kraft paper being primarily utilized to manufacture corrugated boxes, HPPL's turnover will be linked to demand in the packing industry which is stably growing y-o-y with increasing demand from FMCG, Electronics, Retail and ecommerce etc. which place high importance on attractive packaging to create brand awareness.

Key Rating Weakness

High degree of competitive intensity of paper industry along with susceptibility to volatility in prices of raw material

HPPL operates in a competitive segment of the kraft paper industry which is affected from low profitability due to highly fragmented industry, small machine size, fluctuating wastepaper prices, low entry barriers, presence of large number of unorganized players with capacity additions by existing players as well as new entrants. This situation increases the level of competition which puts further pressure on profitability of paper manufacturers. 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. HPPL will procure raw materials (waste paper) from both domestic & international markets. Its business will be exposed to fluctuation in waste paper prices & forex rates. So, any adverse changes in procurement cost of waste paper or forex rates can have a negative impact on its profit margins.

Liquidity: Stretched

Stabilization of operations with generation of envisaged cash accruals to meet the debt obligation shall remain crucial from credit perspective. CC utilization remained 95% (Sanctioned: Rs.7.50 crore) for the past 9 months ended December 31, 2022. HPPL has availed Rs.2.00 crore of fresh term loan in the form of equipment financing to meet future requirement. The repayment of the same is expected to begin from March 2023. Repayment obligations for FY23 remained at Rs.1.93 crore and Rs.2.68 for FY24. It has also availed additional working capital limits of Rs.7.50 crore from January 2023 to support increasing scale of operations.

Analytical approach: Standalone

Applicable Criteria

[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](#)

[Project stage companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

Mehsana (Gujarat) based Himalay Paptech Private Limited (HPPL) is a private limited company 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 with installed capacity of 150 Metric Tons Per Day (MTPD) from its sole manufacturing unit located at Mehsana, Gujarat. HPPL has commenced operations from April 22, 2022 after successful completion of its green field project in March 2022.

Brief Financials (Rs. crore)	10MFY23 (Prov.) *
Total operating income	87.02
PBILDT	7.63
PAT	NA
Overall gearing (times)	NA
Interest coverage (times)	NA

Prov.- Provisional; NA- Not Available *Till January 09, 2023

Operations commenced from April 2022

Status of non-cooperation with previous CRA: Not Applicable

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 for this company: Please refer Annexure 4

Banker/Lender details of the company: Please refer 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-Term Loan		-	-	30/06/3030	19.69	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 of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	19.69	CARE BB; Stable	-	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 (19-Nov-21)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	1.10	CARE A4	-	1)CARE A4 (19-Nov-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

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: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: 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

Name - Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careedge.in

Analyst Contact

Name - Ms. Sajni Shah

Contact no. – +91-079-4026 5636

Email ID- sajni.shah@careedge.in

Relationship Contact

Name - Mr. Deepak Prajapati

Contact no. – +91-079-4026 5656

Email ID: deepak.prajapati@careedge.in

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