

Yash Pakka Limited

July 30, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	-	-	Rating reaffirmed at CARE BBB; Stable, removed from Issuer not cooperating and withdrawn
Short Term Bank Facilities	-	-	Rating reaffirmed at CARE A3, removed from Issuer not cooperating and withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the rating assigned to the bank facilities of Yash Pakka Limited (YPL) at "CARE BBB; Stable, removed from Issuer not cooperating and subsequently withdrawn with immediate effect. The ratings have been withdrawn at the request of YPL and 'No objection certificate' received from the banks that have extended the facilities rated by CARE.

The ratings assigned to bank facilities of YPL derive strength from the company's experienced promoter and its long track record of operations, moderate financial risk profile, established customer relationships with robust selling and distribution network, cost-effective production set-up with integrated operations along with locational advantage. However, the ratings are constrained on account of decline in scale of operations and profitability margins during FY21 (refers to the period from April 01 to March 31) primarily on account of Covid-19 led disruptions as plants remained shut for a considerable period during March (2020)-May (2020) and July (2020). However, the uptick in demand and better kraft paper realizations led to improved results during H2FY21 (refers to the period from October 01 to March 31). The ratings also remained constrained on account of volatility in raw material prices.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter and professional management team: Yash Pakka Limited (YPL) (From September 11, 2019, the name of the company has been changed to Yash Pakka Limited from Yash Papers Limited) was incorporated by late Mr. K. K. Jhunjhunwala in 1983. Mr. Ved Krishna, son of late Mr. K. K. Jhunjhunwala, is the vice chairman, non-executive director of the company. He has been associated with the company for the last 15 years and therefore has a long experience in the paper industry. Mr. Ved Krishna is supported by Mr. Jagdeep Hira (Managing Director & CEO) who is currently looking after day to day operations of the company.

Long track record of operations and established relationship with customers: YPL has a long track record of operations and has been engaged in the paper industry for over three decades. As a result, YPL has established good relationship with various customers leading to repeated orders. The company caters to various multinational companies in industries like tobacco packing, flexible packing for soap manufacturing, food industry and pharmaceuticals etc. It sells its products in the domestic market through an established distributor network across India. Export of paper is carried out through merchant exports and agents appointed in various countries, to look after specific regions.

Moderate financial risk profile: The overall gearing of the company improved marginally to 0.72x as on March 31, 2021 (PY: 0.84x) due to accretion of profits to net-worth. However, the debt coverage indicators of the company deteriorated slightly as reflected by the PBILDT interest coverage ratio of 3.98x (PY: 4.83x) and total debt/GCA of 3.30x (PY: 2.32x) in FY21 primarily on account of decline in the scale of operations and the PBILDT margin in FY21.

Cost effective production set-up with integrated operations- Captive power generation capabilities and soda recovery plant:

YPL has cost-effective production set-up as characterized by captive power plant of 8.5 MW and a 145 TPD soda recovery plant. The paper industry is capital and energy intensive in nature. Power cost constituted 14.15% of total operating income in FY21

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

(PY: 16.01%). To source its power requirements, the company has a captive power plant of 8.5 MW capacity (rice-husk based) which takes care of 100% power requirement of the company.

Locational advantages in the form of easy availability of raw materials: The main raw material used by the company in its manufacturing process is agro-based raw materials such as bagasse. The plant is located in Uttar Pradesh, which is the sugarcane hub of India, thus ensuring adequate availability of bagasse. The company has been dealing with its top 10 suppliers for over 15 years. The long association with these suppliers provides comfort on the regular supply of raw materials to the company.

Key Rating Weaknesses

Decline in scale of operations: The total operating income of the company declined by 25.33% to Rs.194.97 crore in FY21 (PY: Rs.261.11 crore) due to company's plant being shut from March 25, 2020 to May 06, 2020 (nation-wide lockdown) and from July 06, 2020 to July 27, 2020 (covid-19 positive cases reported at the plant). However, the uptick in demand and better kraft paper realizations led to improved results during H2FY21. The PBILDT margin of the company declined to 22.33% in FY21 (PY: 23.41%) on account of decline in scale of operations leading to under-absorption of fixed overheads such as employee salary and wages. Consequently, the PAT margin of the company declined to 8.58% in FY21 (PY: 10.62%).

Price-Fluctuation Risk: The paper industry is highly competitive in nature with stiff competition from large number of organized as well as unorganized players. This limits the pricing power of the manufacturers and puts further pressure on profitability. YPL uses agro-based raw material, which is purchased mainly from the domestic markets and there are limitations due to seasonal availability.

Analytical approach: Standalone

Applicable Criteria

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

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook and credit watch to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Rating Methodology- Paper Industry](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios-Non financial sector](#)

About the Company

Yash Pakka Limited (the name of the company was changed from Yash Papers Limited w.e.f. September 11, 2019) was incorporated by late Mr K. K. Jhunjhunwala in 1983 with an initial installed capacity of 1940 MT per annum. Mr. Ved Krishna, son of late Mr. K. K. Jhunjhunwala, is the vice chairman Non-executive director of the company. The company is engaged in manufacturing of machine glazed agro based 30 ~ 100 GSM paper of unbleached Kraft, bleached Kraft and colored Kraft varieties. The company has also entered into the manufacture of tableware products since 2018. The total installed capacity of the company's paper and pulp plant is 40,260 TPA and the installed capacity of the tableware division is 11.50 TPD as on March 31, 2019.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Abr.)
Total operating income	260.02	194.98
PBILDT	60.88	43.54
PAT	27.62	16.72
Overall gearing (times)	0.84	0.72
Interest coverage (times)	4.83	3.98

A: Audited, Abr.: Abridged

Status of non-cooperation with previous CRA: India Ratings vide PR dated November 26, 2018

Any other information: NA

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: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Non-fund-based - LT-Bank Guarantees	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (03-Feb-21)	1)CARE BBB; Stable (22-Jan-20)	1)CARE BBB; Stable (04-Oct-18)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (03-Feb-21)	1)CARE BBB; Stable (22-Jan-20)	1)CARE BBB; Stable (04-Oct-18)
3.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3; ISSUER NOT COOPERATING* (03-Feb-21)	1)CARE A3 (22-Jan-20)	1)CARE A3 (04-Oct-18)
4.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (03-Feb-21)	1)CARE BBB; Stable (22-Jan-20)	1)CARE BBB; Stable (04-Oct-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Nil**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT-Bank Guarantees	Simple
4.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no. – 022-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Sachin Mathur
Contact no.- 011- 4533 3206
Email ID- sachin.mathur@careratings.com

Relationship Contact

Ms. Swati Agrawal
Contact no.-+91-11-4533 3200
Email ID- swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.