

January 13, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF GENUS PAPER & BOARDS LIMITED (ERSTWHILE GENUS PAPER PRODUCTS LIMITED)

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	51.91 (reduced from 56.31)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	38.00 (enhanced from 31.00)	CARE A3 (A Three)	Reaffirmed
Total Facilities	89.91 (Rupees Eighty Nine crore and Ninety One lakhs only)		

Rating Rationale

The ratings assigned to the bank facilities of Genus Paper & Boards Limited (GPBL) continue to take into account extensive experience of the promoters, the company's long track record of operations and consistent growth in its total income with moderate profitability margins. The ratings also factor in GPBL's moderate financial risk profile with comfortable gearing and moderate debt coverage indicators. However, the ratings are constrained by the company's working capital intensive nature of operations, susceptibility of its margins to the volatility in raw material prices as well as foreign exchange rates and highly fragmented and competitive nature of the paper industry.

Going forward, the ability of GPBL to sustain growth in its scale of operations and maintain moderate profitability margins amid competition and maintain a moderate gearing level shall be the key rating sensitivities.

Background

Genus Paper & Boards Limited (GPBL) is the resulting company pursuant to the scheme of arrangement as per which Genus Paper Products Limited (GPPL) was merged into Genus Power Infrastructures Limited (GPIL) and the 'Non Power Infrastructure Business' of GPIL was demerged into GPBL. GPBL is primarily engaged in manufacturing of kraft paper and mild steel ingots. In FY15 (refers to the period April 1 to March 31), kraft paper contributed around 82% (PY: 83%) whereas the balance sales were contributed by the steel ingots division. The manufacturing facility of the company is located in Moradabad, Uttar Pradesh with installed capacity of 90,000 MTPA of kraft paper and 23,760 TPA of mild steel ingot as on March 31, 2015.

During FY15 (refers to the period April 01 to March 31), on a total operating income of Rs.292.96 crore, GPBL reported a PBILDT and PAT of Rs.30.44 crore and Rs.9.60 crore respectively as against a PBILDT and PAT of Rs.25.25 crore and Rs.10.30 crore respectively on a total operating income of Rs.253.03 crore in FY14. Furthermore, as per the unaudited results for H1FY16 (refers to the period April to September), the company has reported sales of Rs.162.87 crore with PBILDT and PAT of Rs.15.91 crore and Rs.2.05 crore respectively.

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