

Ruchira Papers Limited

March 9, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	71.16	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB (Triple B)
Long-term/Short-term Bank Facilities	6.25	CARE BBB+; Stable/CARE A3+ (Triple B Plus; Outlook: Stable/ A Three Plus)	Revised from CARE BBB/CARE A3+ [Triple B /A Three Plus]
Total Facilities	77.41 (Rupees Seventy Seven crore and Forty One lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in the long-term rating assigned to the bank facilities of Ruchira Papers Limited (RPL) takes into account improved financial performance in 9MFY17 (refers to the period April 01 to December 31), characterized by increasing income and improvement in the profitability margins & capital structure of the company. The ratings further derive strength from the experienced promoters and long operational track record, diversified product profile, proximity of the manufacturing plant to raw material sources and captive power generation capacity. The ratings are, however, constrained by the working capital intensive nature of operations, susceptibility of profitability margins to fluctuations in the raw material prices and fragmented nature of the industry.

Going forward, the ability of the company to profitably scale-up its operations and manage the working capital requirements efficiently will remain the key rating sensitivities. Furthermore, any new capex and funding mix for the same impacting the credit profile will also remain a key rating sensitivity.

Detailed description of key rating drivers

Key Rating Strengths

Improved 9MFY17 (Unaudited) financial performance: In 9MFY17 (Unaudited), the company has achieved a total operating income of Rs.302.70 crore which increased by ~11% as compared with same period last year. Furthermore, the profitability margins of the company improved substantially in 9MFY17 (UA) with PBILDT and PAT margins improving to 15.87% and 7.53%, respectively (14.11% and 5.66%, respectively in same period last year). Subsequently, the gross cash accruals generated also increased at a healthy rate of ~36% in absolute value terms. The profitability margins improved on account of various factors including lower raw material cost incurred, lower operational expenses due to improved efficiency and economies of scale owing to growing scale of operations. Furthermore, the capital structure also improved with long-term debt-to-equity and overall gearing ratios of 0.21x and 0.44x, respectively, as on December 31, 2016 (0.26x and 0.58x as on December 31, 2015). This was mainly due to repayment of term loans and lower utilization of working capital limits coupled with accretion of profits to the net worth. The PBILDT interest coverage ratio remained comfortable and improved further to 7.36x in 9MFY17 (UA) as compared with 6.88x in same period last year.

Experienced promoters and long track record of operations: RPL is engaged in the manufacturing of paper for more than three and a half decades. The promoters of RPL have an experience of over three decades in the paper industry. The company is managed by well-qualified and experienced management team with Mr Umesh Chander Garg (Managing Director), Mr Subhash Chander Garg (Chairman) and Mr Jatinder Singh (Co-Chairman) handling the day-to-day affairs of the company. They are further supported by key executives who have rich experience in the industry.

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

Diversified product profile: RPL has a diversified product profile as it manufactures a wide range of high quality kraft paper which finds application in the packaging industry and special quality kraft papers DTY/POY which are specifically used for special packaging in textile and bulk drug industry. Furthermore, the company also manufactures a wide range of WPP paper which is mainly used for stationery, playing cards, brochures, magazines and copier paper.

Locational advantage: The plant of KPL is located in Himachal Pradesh (H.P.) near the sugar manufacturing and agricultural belt of Haryana and Punjab. As a result, the availability of major raw materials such as bagasse, wheat Straw and sarkanda is in abundance and easily accessible. Furthermore, the company is also entitled to tax benefits including 100% excise duty exemption up to March 2018 for WPP unit (kraft paper unit exemption was available until October 2013).

Captive power generation capability for its WPP unit: KPL has implemented various cost saving measures to support its profitability margins. The company has a captive power generation plant with a capacity of 8.1 MW to source its power requirements for WPP unit.

Key Rating Weaknesses

Working capital intensive operations: RPL continued to have moderate operating cycle of ~62 days as on March 31, 2016. Furthermore, the average monthly utilization of cash credit limits remained at a moderate level of ~70% for the last 12 months period ended January 2017.

Susceptibility of margins to raw material price fluctuations: The primary raw materials of RPL are agro-based, prices of which are highly volatile in nature due to seasonal availability. Therefore, the operating profitability of the company remains highly susceptible to any volatility in the raw material prices.

Highly competitive & fragmented nature of industry: RPL operates in a fragmented paper industry where presence of several organized and unorganized players leads to intense pricing pressures and a high level of competition.

Analytical approach— Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

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

[Financial ratios – Non-Financial Sector](#)

About the Company

Ruchira Paper Limited (RPL) is engaged in the manufacturing of writing & printing paper (WPP) and kraft paper. The company is promoted by Mr Subhash Chander Garg, Mr Jatinder Singh and Mr Umesh Chander Garg. RPL has three manufacturing machines - two for kraft paper and one for WPP paper. The plant is located at Kala Amb, Himachal Pradesh with total installed capacity of 52800 metric tonnes per annum (MTPA) for kraft paper and 33000 MTPA for WPP paper, as on March 31, 2016.

RPL registered a total operating income of Rs.363.73 crore during FY16 (refers to the period April 1 to March 31) with PAT of Rs.19.47 crore as against a total operating income of Rs.347.92 crore with PAT of Rs.12.86 crore in FY15. In 9MFY17 (Unaudited), the company has registered a total operating income of Rs.302.70 crore with PBILD and PAT margins of 15.87% and 7.53%, respectively, as compared with an operating income of Rs.272.90 crore with PBILD and PAT margins of 14.11% and 5.66%, respectively, in 9MFY17 (Unaudited).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

Analyst Contact

Name: Mr Sudeep Sanwal
 Tel: 0172-5171100
 Mobile: 9958043187
 Email: sudeep.sanwal@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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	-	-	September-2019	32.36	CARE BBB+; Stable
Non-fund-based-LT/ST	-	-	-	6.25	CARE BBB+; Stable /CARE A3+
Fund-based - LT-Working Capital Limits	-	-	-	38.80	CARE BBB+; Stable

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	32.36	CARE BBB+; Stable	1)CARE BBB (27-Jun-16)	1)CARE BBB- (20-Jul-15)	1)CARE BBB- (08-Aug-14)	1)CARE BB+ (20-Sep-13)
2.	Non-fund-based-LT/ST	LT/ST	6.25	CARE BBB+; Stable / CARE A3+	1)CARE BBB / CARE A3+ (27-Jun-16)	1)CARE BBB- / CARE A3 (20-Jul-15)	1)CARE BBB- / CARE A3 (08-Aug-14)	1)CARE BB+ / CARE A4+ (20-Sep-13)
3.	Fund-based - LT-Working Capital Limits	LT	38.80	CARE BBB+; Stable	1)CARE BBB (27-Jun-16)	1)CARE BBB- (20-Jul-15)	1)CARE BBB- (08-Aug-14)	1)CARE BB+ (20-Sep-13)

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691