

Yash Papers Limited

November 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	141.96	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	23.04	CARE A3 (A Three)	Assigned
Total Facilities	165.00 (Rs. One hundred sixty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the long term bank facilities of Yash Papers Limited derive strength from experienced promoter and professional management team, long track record of operations leading to established customer relationship, robust selling & distribution network, location advantage and cost effective production set-up with integrated operations. The ratings also take into cognizance of the exit from CDR in September, 2016, successful completion of forward integration project and moderate financial risk profile.

These strengths, however, are partially offset by susceptibility of profitability to volatile raw material prices with limited ability to pass on the impact to customer and cyclical nature of industry and high competition.

Going forward, ramp-up of production and achievement of off-take from new tableware project as envisaged along with improvement profitability while maintaining the overall gearing would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter and Professional Management team

YPL was incorporated by Mr. K.K.Jhunjunwala in 1983 and his son Mr. Ved Krishna is the Managing Director of the company. Mr. Ved Krishna has been associated with the company for last 15 years and therefore has a long experience in the paper industry. Mr. Krishna is well supported by a team of professionals such as Mr. Jagdeep Hira (Joint Managing Director & CEO) who is currently looking after day to day operations of the company. Mr. Hira has served as Head of Process for Paper Division at Century Textiles & Industries Ltd and as a Vice President of Operations at ABC Paper Limited.

Long track record of operations leading to established relationship with customers and robust selling & distribution network

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 developed good relationship with various customers leading to repeat orders. The company caters to various multinational companies in industries like tobacco packing, flexible packing for soap manufacturing, food industry and pharmaceuticals etc.

YPL sells its products in the domestic markets through a well dispersed distributor network across India. Export of Paper is carried out through Merchant Exporters and Agents appointed in various countries, to look after specific regions.

Location advantages in the form of easy availability of raw material

The main raw materials used by the company in its manufacturing process are agro-based raw material such as bagasse and wheat straw. Bagasse (42%) and wheat straw (7%) together accounted for around 50% of the cost of material consumed for the company during FY17. The plant is located in Uttar Pradesh (UP) which is the sugarcane hub of India,

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

thus ensuring adequate availability of raw materials. 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 material to the company.

Cost effective production set-up with integrated operations

YPL has cost-effective production set-up as characterized by captive power plants of 8.5 MW and a 145 TPD soda recovery plant. The paper industry is capital and energy intensive in nature. Power cost constituted around 13% of total operating income in FY17 (PY: 17%). To source its power requirements, the company have captive power plants of 8.5-MW capacity (rice-husk based) which takes care of 100% power requirement of the company.

YPL has an integrated soda recovery plant which helps it to recover around 97% of the caustic soda thereby reducing the cost considerably.

Exit from CDR in Sept, 2016

YPL went into CDR (cut off date July 01, 2011) on account of technical fault in Paper Machine 3, increase in raw material prices and shortage of adequate working capital for the newly installed Paper Machine 3, leading to losses. The CDR-EG in its meeting held on June 01, 2012 had approved CDR Package (cut-off date being July 01, 2011) of the company.

The company has exited from this CDR package wef 1st July, 2016 as confirmed in the meeting of CDR EG held on 27th September, 2016 and communicated to the company vide its letter dated 10th October, 2016. The company as per the terms and conditions of the CDR Package, has paid an amount of Rs. 73.04 lacs as "Recompense amount" to the Consortium lenders.

Successful completion of forward integration project

The company has commissioned a forward integration project in FY 18 for manufacturing of biodegradable tableware products with total capacity of 11.50 TPD bagasse pulp. The bagasse pulp would be sourced from existing paper plant pulp Mill and YPL plans to manufacture around seven to nine lakhs tableware pieces per day. The tableware products are expected to fetch higher margin due to the value added nature.

The total project cost incurred is Rs.54 crore funded through term loan of Rs.40.50 crore (already tied up) and equity / unsecured loan of Rs.13.5 crore. The trial production started since August, 2017. The company plans to declare the COD in November, 2017.

Moderate financial risk profile

The total operating income of the company has remained stable during the last three years. During FY17 (Aud) the total volume of sales volume declined marginally on account of lower export volumes. However, the PBILD and PAT margin improved during FY17 by 253bps and 200 bps respectively on account of better sales realization.

The overall gearing of the company moderated during FY17 to 2.44x as on March 31, 2017 (PY: 2.07x) primarily on account of addition of term loan of Rs.26.51 crore towards the tableware project. Other coverage indicators such as interest coverage and total debt to GCA remained moderate during FY17 at 2.05x and 9.54x respectively.

Key Rating Weakness

Susceptibility of profitability to volatile raw material prices with limited ability to pass on the impact to customer

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. Therefore, going forward, the ability of the company to manage its profitability amid volatile coal and raw material price would be the key rating sensitivity.

Cyclical nature of industry and high competition

The Indian paper industry is highly fragmented with the presence of many small unorganized players. The demand for paper is directly correlated to the level of economic activity, as higher industrial output leads to increased demand for paper and greater education and office activities raises the demand for writing and printing paper.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria for Short-term Instruments](#)

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

[CARE's methodology for Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

Yash Papers Limited was promoted in 1981 by Mr. KK Jhunjhunwala with an initial installed capacity of 1940 MT per annum in 1983. 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 uses agri-residues such as Bagasse, and wheat straw as its major raw material for manufacturing paper. The company's operation is based in Faizabad district of Uttar Pradesh. The total installed capacity as on March 31, 2017 for paper manufacturing stood at 39,100 TPA.

Brief Financials (Rs. crore)	FY16 (Aud.)	FY17 (Aud.)
Total operating income	173.33	173.81
PBILD	24.59	29.04
PAT	2.85	6.40
Overall gearing (times)	2.07	2.44
Interest coverage (times)	1.66	2.05

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: Jasmeen Kaur

Tel: 011-4533 3245

Mobile: 9810401324

Email: jasmeen.kaur@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	-	-	June 2025	81.96	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	23.04	CARE A3

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	81.96	CARE BBB-; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE BBB-; Stable	-	-	-	-
3.	Non-fund-based - ST-BG/LC	ST	23.04	CARE A3	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

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. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 851111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@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