

RATING RATIONALE

17Jan2022

**Ganga Paper India Ltd**

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of Rs. 29.51 Crs. of Ganga Paper India Ltd

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (04 Oct 2021)	Present
Fund Based	22.43	20.51	Long Term	BWR BB+ (Stable) Upgrade	BWR BBB - /Stable Upgrade
	9.00	9.00	Short Term	BWR A4+	BWR A3
	(9.00)	(9.00)		Upgrade	Upgrade
Grand Total	31.43	29.51	(Rupees Twenty Nine Crores and Fifty One lakhs Only)		

#Please refer to BWR website www.brickworkratings.com (<https://www.brickworkratings.com>) for definition of the ratings

**Details of Bank Loan facilities,consolidation or instruments are provided in Annexure

RATING ACTION / OUTLOOK

Upgrade in the ratings of Ganga Paper India Ltd. (GPIL or the company) factors in growth in its revenues and improvement in overall business and financial risk profile in FY22. The company has reported revenues of Rs.205 crs in 9MFY22, a growth of ~86% over revenues during the same period last year and is likely to surpass its projected operating revenues of Rs. 240 crs in FY22. Revenues of the company in Q3FY22 were substantially higher by ~ 51% than that achieved in Q2FY22. The company has also achieved an EBITDA of Rs.8.81 crs and PAT of Rs.3.82 crs in 9MFY22. The performance of the company is likely to be robust during FY22 and FY23. TNW and Gearing ratio of the company have improved to Rs.21.83 crs and 1.60x respectively as on 30 Sept 2021 (unaudited) and are expected to improve further owing to retention of profits in the business. The company has been diversifying its client base and has been focusing on the exports to China, the Middle East, Bangladesh, Sri Lanka, Portugal and the U.S., in addition to its regular domestic buyers, to offset the slowdown in the domestic market amidst the COVID 19 pandemic.

Outlook: Stable

BWR believes the Ganga Paper India Ltd. 's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Growth in Revenues :**

Revenues of the company have been growing at a CAGR of 21% during previous four years (FY17 to FY21) and have improved to Rs.177 crs in FY21. Major growth occurred in FY21, when revenues grew by 26% to Rs.177 crs from Rs.140 crs in FY20. During 9MFY22, the company has reported revenues of Rs.205 crs with 86% growth over revenues during the same period last year. On a sequential basis, the revenues of the company have improved by almost 51% during Q3FY22 as compared to Q2FY22. Thus, the company is expected to comfortably achieve the projected revenues during FY22 and FY23.

- **Improvement in Profit margins :**

Operating and net profits of the company have been growing at a CAGR of 23% and 24% respectively during previous four years (FY17 to FY21). Although operating margin has remained at an average of 4.61% during FY17 to FY21, net profit margin has improved to 2.33% in FY21 from 1.24% in FY19 and 1.33% in FY20.

- **Improvement in Gearing :**

Overall gearing of the company as indicated by Total Debt/TNW and TOL/TNW has improved from 2.82x and 3.45x respectively in FY19 to 2.51x and 3.33x respectively in FY20 and further to 2.04x and 3.18x respectively in FY21 owing to improvement in net worth position of the company. Gearing ratio is further expected to improve along the projected lines during FY22 and FY23.

- **Improvement in Debt Coverage :**

Debt coverage indicators DSCR and ISCR have improved from 0.95x and 2.07x respectively in FY20 to 1.88x and 3.53x respectively in FY21 owing to improvement in profits of the company whereas borrowing expenses and debt obligations have either declined or remained stable.

- **Net Debt/EBITDA :**

The ratio has shown considerable improvement from 8.25x in FY18 to 4.79x in FY20 and further to 3.73x in FY21. The ratio is expected to improve further by FY23.

- **Diversification of client base: :**

The company has been selling its products primarily in the domestic markets to buyers located in Maharashtra, Gujarat and Madhya Pradesh. However, for the past 18 months, the company has been focusing on the overseas markets to offset the slowdown in the domestic markets amidst the COVID 19 pandemic. During FY21 and FY22, the company focused on improved demand for pulp and paper from China which has contributed to approx. 60% of the total exports. Besides this, the company has ventured

into exports to the Middle East, Bangladesh, Sri Lanka, Portugal and the U.S. Total exports have improved from Rs.10 crs in FY20 to Rs.70 crs in FY21 which have offset the decline in domestic demand for its products. During FY21, exports have contributed approx. 40% of the total annual revenues.

Credit Risks:

- **High competition and fragmentation :**

Due to lower entry barriers by limited capital and technological requirements, small gestation period and easy availability of raw material, the paper industry is characterized by high fragmentation and intensive competition with presence of large number of small and medium players reducing bargaining power with buyers and increasing competition in pricing of finished goods. Further, environmental concerns play a major role in shaping up regulations that have a sizable bearing on the business operations of the industry players.

- **Forex Risks :**

Inward remittances on account of exports are not hedged by forward cover. Thus, the exports are exposed to counterparty default and forex risks.

- **Other risks: :**

Absence of long contracts for sourcing raw material exposes the business to fluctuations in prices of raw material thereby affecting profitability. Substitution of Kraft paper by polyfilms in the packaging industry is the other business risk.

- **Customer Concentration risk :**

The company is exposed to customer concentration risks as almost 60% of the annual sales are derived from top five customers in FY21.

ANALYTICAL APPROACH - Standalone

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis as detailed in the Rating Criteria detailed below

RATING SENSITIVITIES

Upward: Substantial improvements in gearing and debt coverage ratios with improvement in revenues and profit margins would support upward rating action.

Downward: Decline in revenues, operating margins, gearing ratios, debt coverage indicators and overall liquidity in the company would attract downward rating action.

LIQUIDITY INDICATORS - Adequate

Liquidity in the company is adequate as indicated by cash accruals, NWC, WC utilisation levels and working capital cycle. During FY21, the company has generated cash accruals of Rs.6.26 crs against term debt obligations of Rs.2.20 crs. NWC of the company has improved from Rs.1.71 crs as on 31 March 2020 to Rs.10.38 crs as on 31 March 2021. Average utilisation of sanctioned working capital facilities has been around 70% for the entire FY21. Cash conversion cycle of the company has remained stable at an average of 29 days during previous three years (FY19 to FY21). During FY21, the company availed 6M moratorium on loan repayments and has also availed COVID emergency funding of Rs.4.55 crs to meet liquidity mismatches. During FY22, the company has availed COVID emergency funding of Rs.4.95 crs to meet business requirements. Going forward, the company is expected to generate adequate cash accruals to meet debt obligations. NWC of the company is also expected to improve during FY22 and FY23.

ABOUT THE ENTITY

Ganga Paper India Ltd., incorporated in March 1985 with its current registered office at 241, vill. Bebedohal, Tal. Maval, Pune, Maharashtra, is engaged in manufacturing of kraft paper and newsprint paper. Mr. Ramesh Chaudhary and Mr. Sharwan Kumar Kanoria are the promoters of the company.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	Rs.Crs.	177.18	139.71
EBITDA	Rs.Crs.	8.60	6.94
PAT	Rs.Crs.	4.13	1.86
Tangible Net Worth	Rs.Crs.	19.02	14.89
Total Debt/Tangible Net Worth	Times	2.04	2.51
Current Ratio	Times	1.23	1.05

KEY COVENANTS OF THE FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY

Existing ratings with CRISIL are under Issuer non Cooperation.

ANY OTHER INFORMATION

NIL

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities	Current Rating (2022)			2022 (History)		2021		2020		2019	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	20.51	BWR BBB-/Stable (Upgrade)	NA	NA	04Oct2021	BWR BB+ (Stable) (Upgrade)	17Sep2020	BWR BB (Stable) (Reaffirmation)	16Aug2019	BWR BB (Stable) (Upgrade)
Fund Based	ST	9.00	BWR A3 (Upgrade)	NA	NA	04Oct2021	BWR A4+ (Upgrade)	17Sep2020	BWR A4 (Assignment)	NA	NA
FB SubLimit	ST	(9.00)	BWR A3 (Upgrade)	NA	NA	NA	NA	NA	NA	NA	NA
Grand Total		29.51	(Rupees Twenty Nine Crores and Fifty One lakhs Only)								

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf (<https://www.brickworkratings.com/download/ComplexityLevels.pdf>). Investors queries can be sent to info@brickworkratings.com (<mailto:info@brickworkratings.com>).

Hyperlink/Reference to applicable Criteria

- [General Criteria \(https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf\)](https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf)
- [Approach to Financial Ratios \(https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf\)](https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf)
- [Short Term Debt \(https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf\)](https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf)
- [Manufacturing Companies \(https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf\)](https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)

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Ganga Paper India Ltd**ANNEXURE-I****Details of Bank Facilities rated by BWR**

SL.No.	Name of the Bank/Lender	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
1	Punjab National Bank	Term Loan-Sanctioned	7.13	-	7.13
2	Punjab National Bank	Cash Credit-Sanctioned	9.00	-	9.00
3	Punjab National Bank	PC/FBP-Sanctioned	-	9.00	9.00
		Sub-Limit (FOBP/FOUBP/FABC) - Sanctioned		(9.00)	
4	Punjab National Bank	Gold Card-Sanctioned	1.80	-	1.80
5	Punjab National Bank	CECL-Sanctioned	0.29	-	0.29
6	Punjab National Bank	GECL-Sanctioned	2.29	-	2.29
Total			20.51	9.00	29.51
TOTAL (Rupees Twenty Nine Crores and Fifty One lakhs Only)					

ANNEXURE-II**INSTRUMENT DETAILS**

Instrument	Issue Date	Amount (Rs.Crs)	Coupon Rate (%)	Maturity Date	ISIN Particulars
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Instrument	Issue Date	Amount (Rs.Crs)	Coupon Rate (%)	Maturity Date	ISIN Particulars
N.A		0			

ANNEXURE-III

List of entities consolidated

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
NIL			

Print and Digital Media

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