



Rating Rationale

Ganga Paper India Ltd

13 Aug 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Ganga Paper India Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (11 May 2018)	Present
Term Loan	NIL	10.46	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Upgrade)
Cash Credit	14.00	18.00			
Total	14.00	28.46	INR Twenty Eight crores and Forty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results upto FY19, projected financials for FY20 and FY21, publicly available information and information/clarifications provided by the management of the company and their representatives.

The rating draws strength from the experience of the promoters and growth in scale of operations. Upgrade in the rating factors in expansion in production capacity undertaken by the company during FY18 and subsequent improvement in overall capacity utilisation, growth in scale of operations by 29% during FY19, improvement in operating profitability by 29% and efficient utilisation of working capital as indicated by improvement in cash conversion cycle during FY19. The rating is, however, constrained by high gearing and other inherent business risks.



Liquidity (Adequate): Against cash accrual of Rs.3.57 crs (PAT + Depreciation) (as per audited FY19), the company is comfortably placed to repay current portion of long term liability to the tune of Rs.2.41 crs (incl. term loan repayments of Rs.1.28 crs) during FY20. Cash Conversion cycle has improved to 28 days during FY19 due to better management of inventory (44 days in FY18 and 29 days in FY19). During FY18, NWC has been negative due to utilisation of short term funds for creation of fixed assets. However, the situation has improved during FY19 and now the NWC is little positive.

Rating Sensitivity: Rating is highly sensitive to gearing (TOL/TNW ratio) which is at 3.45x during FY19. Any further increase in borrowings without proportionate infusion of own interest funds would attract adverse rating action.

Description of Key Rating Drivers

Credit Strengths:

- (1) Experienced Promoters: Ramesh Kumar Chaudhary, Ami Chaudhary, Sadhana Kanoria, Sandeep Kanoria, Sanjeev Murari Jalan, Sharwan Kumar Kanodia, Anjani Kumar Agrawal and Arvind Nath Tiwari are the directors in the company. Ramesh Kumar Chaudhary, promoter of the company, is a post graduate in commerce with more than 25 years of business experience. Sandeep Kanoria, Sadhana Kanora and Sharwan Kumar kanodia have each more than 15 years business experience.
- (2) Growth in scale of operations: During FY18 and FY19, revenues of the company has grown by 23% and 29% on the back of enhanced manufacturing capacity and capacity utilization.
- (3) Efficient working capital utilisation: Cash Conversion cycle has improved to 28 days during FY19 due to better management of inventory (44 days in FY18 to 29 days in FY19).

Credit Weaknesses:

- (1) High Gearing: Due to higher borrowings as compared to total net worth position, gearing of the company has remained high at 2.82x (Total Debt/TNW ratio) and 3.45x (TOL/TNW ratio).
- (2) Other Inherent risks: Industry is characterised by high fragmentation and intensive competition in the paper industry due to presence of large number of medium category players. Further, environmental concerns plays major role in shaping up regulations that guide the business operations in the industry.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating 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. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

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. GPIL was initially incorporated by Shrikant Mohanlal Kasat and was taken public in 1996. It was declared sick and was registered with BIFR in 2003 due to adverse operating conditions and was later taken over by its current promoters, Mr. Ramesh Chaudhary and Mr. Sharwan Kumar Kanoria in 2006.

Company's Financial Performance

Key Parameters	Units	2018	2019
Operating Revenue	Rs. crs	102.25	132.33
EBITDA	Rs. crs	3.86	6.47
PAT	Rs. crs	1.49	1.64
Tangible Net worth	Rs. crs	11.38	13.02
Total Debt/Tangible Net worth	Times	2.82	2.82
Current Ratio	Times	0.90	1.01

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	11 May 2018	09 Feb 2017	2016
1	Term Loan	Long Term	10.46	BWR BB (Pronounced as	BWR BB- (Pronounced as BWR	BWR BB- (Pronounced as	NIL



2	Cash Credit		18.00	BWR Double B) Outlook: Stable (Upgrade)	Double B Minus)	BWR Double B Minus)	
	Total		28.46	₹ Twenty Eight crores and Forty Six Lakhs Only			

Status of non-cooperation with other CRA: ICRA BB-/A4 (Stable) (INC) on 27.12.2018 revised from ICRA BB/A4 (Stable) on 12 March 2015.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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