Rating Rationale

Haripur Kraft Company

26th March 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.96 Crores of Haripur Kraft Company.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (January, 2018)	Present
Fund based Cash Credit Term Loan	6.30 1.95	**7.00** **2.71**	**Long Term**	**BWR BB** [Pronounced as BWR Double B] **(Outlook:Stable)**	**BWR BB** [Pronounced as BWR Double B] **(Outlook:Stable)** **[Reaffirmation]**
Non Fund Based ILC/FLC Bank Guarantee	0.26 0.25	**-** **0.25**	**Short Term**	**BWR A4** [Pronounced as BWR A Four]	**BWR A4** [Pronounced as BWR A Four] **[Reaffirmation]**
Total	8.76	**9.96**	**INR Nine Crores & Ninety Six Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials till FY18, projections upto FY20, publicly available information and the information/clarifications provided by the firm's management.

The rating continues to factor inter alia, promoter's nearly a decade of experience in the kraft paper manufacturing business, the existence of the firm for 10 years, adequate debt protection metrics.

The ratings are however, constrained on account of marginal improvement in the revenues, thin profit margins and intense competition from organized and unorganized players in the industry.

Going forward, the ability of the firm to scale up its operations, to improve its profit margins and to manage its gearing in an intensely competitive industry will remain the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**
  - **Experienced Promoters -** The promoters of the firm are having experience of nearly a decade in the kraft paper manufacturing business.
  - **Long Existence Of The Firm -** The firm has been in existence for 10years with satisfactory business history.
  - **Adequate Debt Protection Metrics -** The ISCR & DSCR of the firm stand at 3.03X & 1.79X in FY18.

- **Credit Risks:**
  - **High Degree Of Competition -** High degree of competition from other organized and unorganized players in the industry.
  - **Modest Scale Of Operations -** The firm has a relatively modest scale of operations as reflected by a topline of Rs 63.46cr in FY18.
  - **Thin Profit Margins -** The firm continues to have thin profit margins owing to the industry it operates into.

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).

Liquidity Profile

The firm has liquid investments of Rs 0.11cr and cash balances in FY18 is Rs. 0.11crs.The firm is availing long term facility of cash credit & term loan. The CC Utilization stands at 100%. Conversion Cycle is at 69 days in FY18, however, that is the nature of manufacturing industry having higher receivable days due to a longer contract period. There is a Long Term Borrowing of rs 5.62cr, however, the firm has not provided us with any cash flows for the same. The firm has a DSCR of 1.79X & ISCR of 3.03X in FY18. Current ratio of the firm stands at 1.45X in FY18. There are no subsidiary. Liquidity profile of the firm is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.

Rating Outlook: Stable

BWR believes the **Haripur Kraft Company** 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

Haripur Kraft Company is a partnership firm established in 2008 in Baddi, Himachal Pradesh. The firm has two partners namely Mr K.L.Mittal & Mr Sumit Mittal. The firm is into manufacturing of kraft papers used for packing purpose. The firm's manufacturing unit is located in Baddi,Himachal Pradesh with production capacity of 80 MT per day.
The firms manufacturing process consists of recycling waste paper using chemicals and extracting the pulp, drying and processing the pulp into paper and paper boards. The firm has obtained necessary permission from the Himachal Pradesh State Pollution Control Board

Company Financial Performance

The firm has earned a total operating income & PAT in tune of Rs 63.46cr & Rs 0.98cr in FY18 vis-a-vis Rs 58.82cr & Rs 1.04cr in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	Jan, 2018	Sept, 2016	June, 2015
	Fund Based	Long Term	9.71	**BWR BB** [Pronounced as BWR Double B] **(Outlook:Stable) [Reaffirmation]**	BWR BB [Pronounced as BWR Double B] (Outlook:Stable)	BWR C [Pronounced as BWR C]	BWR BB [Pronounced as BWR Double B] (Outlook:Stable)
	Non Fund Based	Short Term	0.25	**BWR A4** [Pronounced as BWR A Four] **[Reaffirmation]**	BWR A4 [Pronounced as BWR A Four]	BWR C [Pronounced as BWR C]	BWR A4 [Pronounced as BWR A Four]
	Total		**9.96**	**₹ Nine Crores & Ninety Six Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments - NA
Any other information - NA

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		**Audited**	**Audited**
Operating Revenue	Crores	58.82	63.46
EBITDA	Crores	4.15	4.36
PAT	Crores	1.04	0.98
Tangible Net worth	Crores	9.25	10.41
Total Debt/Tangible Net worth	Times	1.32	1.32
Current Ratio	Times	1.41	1.45

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
V.K.Kukreja **Associate Director-Ratings** analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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