Rating Rationale

Haripur Paper Company

19th March 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 19.80 Crores of Haripur Paper Company.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (February, 2018)	Present
Fund based Cash Credit Term Loans	8.25 9.33	8.25 11.20	**Long Term**	**BWR BB-** [Pronounced as BWR Double B Minus] **Outlook: Stable**	**BWR D** [Pronounced as BWR Single D] **[Downgrade]**
Non Fund Based Bank Guarantee	0.35	0.35	**Short Term**	**BWR A4** [Pronounced as BWR A Four]	**BWR D** [Pronounced as BWR Single D] **[Downgrade]**
Total	**17.93**	**19.80**	**INR Nineteen Crores & Eighty 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: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

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

The rating revision has taken into account as informed verbally by the banker regarding on-going delays in the repayment of term loans installment. The ratings are further constrained due to working capital intensive nature of operations.The rating has factored in the experience of the partners & locational advantage.

Going forward the ability of the firm to improve its scale of operation, improvement in profits and profitability margin, working capital efficiency & management of cash flows for servicing debt obligations and improvement in the overall financial risk profile along with timely repayment of its debt obligations.

Description of Key Rating Drivers

- **Credit Strengths:**
  - Established presence of the firm since 2004 and experience of management in the same line of business.
  - Location advantage with availability of raw material , power and established market.

- **Credit Risks:**
  - Working capital intensive operations.
  - Sensitivity to the changes in government policies and environmental conditions.
  - On-going delays in the repayment of term loan installments as verbally informed by the banker

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).

About the Company

Haripur Paper Company is a partnership firm established in 2004 in Baddi, Solan Distt, HP.The firm is involved in the manufacturing of Kraft paper and paper boards.Firm is in expansion mode and commenced trial runs for manufacturing of absorbent paper required for making sunmica. The firm has obtained necessary permission from the Himachal Pradesh State Pollution Control Board. The firm is managed by three partners who are family members with profit sharing ratio of 20:40:40.

Company Financial Performance

The firm has earned sales & PAT of Rs 71.30cr & Rs 0.46cr in FY18 vis-a-vis Rs 49.09cr & Rs 0.40cr in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	19.45	**BWR D** [Pronounced as BWR Single D]	**BWR BB-** [Pronounced as BWR Double B Minus] **(Outlook: Stable)**	**NA**	**BWR BB-** [Pronounced as BWR Double B Minus] **(Outlook: Stable)**
	Non Fund Based	Short Term	0.35	**BWR D** [Pronounced as BWR Single D]	**BWR A4** [Pronounced as BWR A Four]	**NA**	**BWR A4** [Pronounced as BWR A Four]
	Total		**19.80**	**₹ Nineteen Crores & Eighty Lakhs Only**			

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

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	Crores	71.30	49.09
EBITDA	Crores	5.76	3.43
PAT	Crores	0.46	0.40
Tangible Net worth	Crores	11.94	9.82
Total Debt/Tangible Net worth	Times	1.89	1.65
Current Ratio	Times	1.42	1.46

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **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, 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.

DISCLAIMER

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