

Rating Update
June 21, 2023 | Mumbai**Balkrishna Paper Mills Limited****Update as on June 21, 2023**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward Factors:

- Sustained revenue growth with the operating margin being maintained at above 10%, leading to adequate net cash accrual for meeting maturing debt obligation
- Large equity infusion or significant reduction in debt, thus strengthening the financial risk profile, especially liquidity

Downward Factors:

- Sustained dip in revenue by over 30% and lower than expected profitability, resulting in large cash losses against substantial repayment obligation
- Change in stance of support from promoters to fund losses and other operational and financial requirements, resulting in reliance on external debt and hence sustained leverage levels

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CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Balkrishna Paper Mills Limited (BPML) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

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Rating Rationale

April 13, 2022 | Mumbai

Balkrishna Paper Mills Limited

Ratings reaffirmed at 'CRISIL BB / Stable / CRISIL A4+ '

Rating Action

Total Bank Loan Facilities Rated	Rs.113 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Balkrishna Paper Mills Limited (BPML) at 'CRISIL BB/Stable/CRISIL A4+ '.

The ratings continue to reflect an extensive experience of promoters. The ratings also factor in benefits from being part of the Siyaram group, and timely financial support extended by the promoters group. These rating strengths are partially offset by continued losses leading to a weak financial risk profile and lower utilization of capacity.

Analytical Approach

Unsecured loan of Rs. 28.6 crores as on March 31st, 2021 has been treated as debt. Preference share capital of Rs. 84.1 crores as on March 31, 2021 has been treated as 25% debt and 75% equity.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of the promoters**
 The three-decade-long experience of the promoters, their healthy relationship with customers and suppliers, and the diversified end-user profile will continue to support the business risk profile.
- Financial support from the promoters and group companies**
 The company is part of the Siyaram group, which includes Siyaram Silk Mills Ltd (Siyaram; 'CRISIL AA-/Stable/CRISIL A1+'). Though operations are managed independently, group entities and promoters have extended funding support in a timely manner through unsecured loans and preference shares. This support for funding losses, and meeting working capital requirement and debt obligation is expected to continue over medium term.

Weaknesses:

- Continuous losses leading to weak financial risk profile**
 The company has been incurring continuous losses since long period of time which have eroded the network and the leverage is high. Funding support from the promoters through preference shares and unsecured loans has helped the financial risk profile, compensating for the losses. The debt protection metrics are poor on account of continued operating losses, however prompt support from promoters has helped timely repayment of debt obligations in the past. Timely support from promoters is expected to continue over medium term
- Lower capacity utilization**
 The operating margin is adversely affected by lower utilization at one of the plants that was planned to produce duplex coated boards but could not do so on a commercial scale due to lower realizations. The management is evaluating the feasibility of producing other varieties of product in the same facility; till then the plant has been temporarily shut. However, the company is planning to utilize the other capacity fully and expecting operating profits in fiscal 2024.

Liquidity: Stretched

Net cash accrual are expected to be inadequate against significant repayment obligation towards a working capital term loan. However, Liquidity is aided by timely support from the promoters. As on March 31, 2021, promoters support in the form of preference share and unsecured loan stood at Rs. 84.1 crores and Rs. 28.6 crores respectively. And, promoters had infused ~Rs. 50 crores through preference shares through which unsecured loan of ~Rs. 23.6 crores is expected to repaid in fiscal 2021, balance funds will be used towards working capital requirements. Such support is expected to continue over the medium term and remains a key monitorable. The current ratio was inadequate at 0.61 time and the cash and cash equivalents was low at ~Rs. 0.04 crores as on September 30, 2021.

Outlook: Stable

The business and financial risk profiles should continue to benefit from the established market position, association with the Siyaram group and cost optimisation measures being undertaken.

Rating Sensitivity factors

Upward Factors:

- Sustained revenue growth with the operating margin being maintained at above 10%, leading to adequate net cash accrual for meeting maturing debt obligation
- Large equity infusion or significant reduction in debt, thus strengthening the financial risk profile, especially liquidity

Downward Factors:

- Sustained dip in revenue by over 30% and lower than expected profitability, resulting in large cash losses against substantial repayment obligation
- Change in stance of support from promoters to fund losses and other operational and financial requirements, resulting in reliance on external debt and hence sustained leverage levels

About the Company

BPML, incorporated in 1961, manufactures coated duplex/triplex paper boards out of recycled waste paper and pulp, at its facilities in Ambivili, Maharashtra.

Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	126.5	196.1
Reported profit after tax (PAT)	Rs crore	(25.9)	(34.6)
PAT margin	%	(20.4)	(17.6)
Adjusted debt/adjusted networkth	Times	(4.0)	(21.3)
Interest coverage	Times	(0.5)	(1.0)

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon Rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	19	NA	CRISIL BB/Stable
NA	Working Capital Term loan	NA	NA	Feb-25	43.5	NA	CRISIL BB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	23.5	NA	CRISIL BB/Stable
NA	Letter of Credit	NA	NA	NA	27	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Current				2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	86.0	CRISIL BB/Stable		--	29-09-21	CRISIL BB/Stable		--	03-10-19	CRISIL BB/Stable	CRISIL BB/Stable

			--		--	29-01-21	CRISIL BB/Stable		--		--	--
Non-Fund Based Facilities	ST	27.0	CRISIL A4+		--	29-09-21	CRISIL A4+		--	03-10-19	CRISIL A4+	CRISIL A4+
			--		--	29-01-21	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	14	Union Bank of India	CRISIL BB/Stable
Cash Credit	5	Standard Chartered Bank Limited	CRISIL BB/Stable
Letter of Credit	7	Union Bank of India	CRISIL A4+
Letter of Credit	20	Standard Chartered Bank Limited	CRISIL A4+
Proposed Long Term Bank Loan Facility	23.5	Union Bank of India	CRISIL BB/Stable
Working Capital Term Loan	43.5	Standard Chartered Bank Limited	CRISIL BB/Stable

This Annexure has been updated on 13-April-2022 in line with the lender-wise facility details as on 01-Aug-2021 received from the rated entity

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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