March 13, 2025

Sainsons Paper Industries Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	26.45	62.43	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term Fund-based – Cash credit	36.00	36.00	[ICRA]A- (Stable); reaffirmed
Short-term, Non- fund-based Letter of Credit	2.00	2.00	[ICRA]A2+; reaffirmed
Short-term, Interchangeable Bank Guarantee^	(2.00)	(2.00)	[ICRA]A2+; reaffirmed
Total	**69.00**	**100.43**	

**Instrument details are provided in Annexure I; ^Sublimit of letter of credit*

Rationale

The ratings reaffirmation of Sainsons Paper Industries Private Limited (Sainsons) factors its long track record of operations, established market presence in the kraft paper industry (especially in North India) and expectations that demand for the domestic kraft paper industry will remain favourable going forward. Sainsons' cost structure also remains supported by the easy availability of agricultural waste-based raw materials, immunisation to price volatility in imported wastepaper, lower working capital intensity and captive power generation. The ratings also reflect ICRA's expectations that the company's financial profile will remain comfortable, as reflected by adequate capital structure, healthy debt coverage indicators and adequate liquidity position even as it plans to undertake sizeable capex towards setting up a new plant for manufacturing low GSM paper.

The ratings are, however, constrained by the intense competition faced by the company in the kraft paper segment from many organised and unorganised players. Besides, its profit margins remain vulnerable to fluctuations in prices of wheat and rice straw, key raw materials for turbine and pulp manufacturing plant, in addition to volatility in realisations.

The company reported a 17% YoY decline in revenues in FY2024, led by a contraction in realisations by ~21% combined with volume growth of ~6% during the same period. In 9M FY2025, the company registered a revenue growth of ~15% on a YoY basis, led by volume growth of ~3% and realisations growth of ~12%. SPIPL also saw an improvement in OPM to 9.7% in 9M FY2025 from 6.5% in FY2024, aided by the softening of raw material prices and improved realisations. ICRA also notes that the paper industry is exposed to economic cycles and the global demand-supply balance impacts the health of domestic industry and subsequently its profit margins. The ratings also consider the risks associated with changes in raw material-related regulations on the availability and usage of water and other inputs in the manufacturing process.

ICRA also notes that SPIPL is currently undertaking large debt-funded capex towards setting up a captive power generation turbine with a capacity of 12 MW and a new manufacturing line for low GSM (50-60 GSM) paper. Cumulatively, the company is expected to incur a capex of Rs. 80-85 crore over FY2025 and FY2026 funded through a mix of debt and internal accruals. The cost structure for SPIPL is expected to improve aided by sizeable power cost savings, following the commencement of the new 12 MW turbine. While the new low GSM plant is expected to result in incremental top line and improvement in margins led by higher average realisations, timely project completion without any cost overruns along with its impact on SPIPL's revenues, margins and debt metrics will remain key monitorable going forward.

The Stable outlook reflects ICRA's expectation that Sainsons will maintain a healthy credit profile, supported by stabilisation in realisations and demand for the kraft paper industry.

Key rating drivers and their description

Credit strengths

Established track record as a kraft paper manufacturer – Sainsons has been manufacturing kraft paper since 1992, enabling it to establish strong vendor, marketing, and distribution networks while forging healthy relationships with customers and suppliers. The company caters to a wide range of end-user industries such as e-commerce, FMCG, pharmaceuticals, and food and vegetable packaging, among others. Its experience in the paper manufacturing industry is also expected to support the company's plan of diversifying into manufacturing low-GSM paper, which will be used to make envelopes, brown/white paper, laminates, etc.

Cost structure supported by agro waste-based manufacturing and co-generation operations – The main raw material for kraft paper is agricultural waste, such as rice and wheat straw. Given the favourable location of its plant amid a major agricultural belt, the company benefits from an ample supply of raw materials and relatively lower logistics costs. It also has a rice-husk based co-generation unit, with an installed capacity of 9 MW. Besides electricity, the steam generated from the captive power plant is also used for digesting and drying purposes. Such factors support the company's cost structure, and Sainsons is also setting up a 12-MW turbine in its plant with a capex of Rs. 15-16 crore, funded through a mix of debt and internal accruals. The new turbine is expected to reduce Sainsons' overall power costs and will cater also to the incremental energy requirements from the upcoming low GSM paper plant.

Healthy financial profile, characterised by comfortable coverage and leverage metrics – Sainsons' gearing improved to 0.27 times as on March 31, 2024 and 0.22 times as on December 31, 2024 from 0.32 times as on March 31, 2023, led by healthy reserve accretion and scheduled debt repayment. The coverage indicators continued to remain healthy, as reflected by total debt to OPBITDA of 1.5 times as on March 31, 2024, 0.8 times as on December 31, 2024 and interest coverage of over 9.3 times in FY2024 and 19.9 times in 9M FY2025. Due to the ongoing debt-funded capex towards setting up a 12-MW turbine and the proposed capex for setting up a low GSM paper plant, Sainsons' coverage metrics are expected to moderate to a certain extent in FY2026, which will improve thereafter supported by healthy accruals from the new plant.

Credit challenges

Project implementation and stabilisation risk for the ongoing capex towards low GSM paper – Sainsons is undertaking a large capex of Rs. 80-85 crore spread over FY2025 and FY2026. The said capex will be for setting up a 12 MW turbine, low GSM paper manufacturing unit and undertaking maintenance capex. The capex for the turbine is proposed to be funded by a debt of Rs. 12 crore, and the low GSM paper plant to be funded by another debt of Rs. 39 crore. The remaining amount will be funded through internal accruals. From the total project cost, capex for the turbine is expected to be incurred in FY2025, while the balance is anticipated for FY2026. The turbine is expected to commence operations in April 2025, which is projected to improve Sainsons' cost structure, whereas the new manufacturing plant is anticipated to begin operations by the end of FY2026. Given the nascent stages of construction, the entity remains exposed to project execution risk. While the new low GSM plant is expected to result in incremental topline and improvement in margins led by higher average realisations, timely completion of the project without any cost overruns, along with its impact on SPIPL's revenues, margins and debt metrics, will remain key monitorable going forward.

Highly fragmented and unorganised industry; constrain pricing power – Sainsons faces stiff competition from both organised and unorganised players in the paper industry. Given the volatile nature of raw materials and realisations, the players in this industry have limited pricing power and are exposed to competition-driven pressure on profitability. Further, Sainsons operates in the 110-250 GSM range with a burst factor of 20, limiting its pricing power compared to its peers, who provide higher complexity products with varying burst factor.

Profitability exposed to volatility in raw material prices – The main raw materials used in the manufacturing process are wheat and rice straw. Raw materials cost constitutes over 65-70% of the total cost for the company, and thus, its average realisation is dependent on the prices of key raw materials, which, in turn, is also dependent on the market forces and supply-demand dynamics. Sainsons' operating margin, hence, remains vulnerable to input prices of its raw materials and its ability to pass on the increase in prices to its customers. ICRA notes that unlike many of its peers, the company does not use imported wastepaper pulp, reducing its import dependence and exposure to forex risk.

Exposure to changes in wastepaper related regulations – Sainsons' profitability remains vulnerable to any regulatory changes in the kraft paper industry. The paper manufacturing industry is exposed to environmental risks as its production causes air, water and land pollution. Discarded paper and paperboard also make up a sizeable portion of solid municipal waste in landfill sites. Thus, the entity remains exposed to the risks associated with changes in wastepaper-related regulations on the availability and usage of water and other inputs in the manufacturing process.

Liquidity position: Adequate

Sainsons' liquidity position is adequate, with healthy cash flow from operations and the availability of moderate undrawn lines of credit. The company's average working capital utilisation was low at ~18% of the sanctioned limits and 17% of the drawing power for the 12-month period ending December 2024. It had a buffer of ~Rs. 28.6 crore in working capital limits as on December 31, 2024. Against the available liquidity and the expected healthy accruals, the company has repayment obligations of Rs. 6.4 crore in FY2025, Rs. 7.9 crore in FY2026 and Rs. 10.4 crore in FY2027. It also has plans to incur capex of ~Rs. 56 crore in FY2026 out of which, Rs. 39 crore will be funded through term loans. The company does not maintain material-free cash balances. Sainsons' liquidity position is likely to remain adequate over the near term, supported by healthy accruals and unutilised working capital limits.

Rating sensitivities

Positive factors – ICRA could upgrade Sainsons' ratings if there is a substantial growth in revenues with improvement in operating margins and liquidity on a sustained basis.

Negative factors – Pressure on Sainsons' ratings could arise if there is a deterioration in the working capital cycle or any large, debt-funded capex that weakens the capital structure and impacts the company's liquidity position on a sustained basis. A significant decline in the revenues and margins on a sustained basis would also adversely impact the ratings. Specific credit metrics that could lead to a downgrade include TD/OPBDITA above 2.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Sainsons

About the company

Incorporated in September 1989, Sainsons Paper Industries Private Ltd (Sainsons) is involved in the manufacturing of different varieties of kraft paper (100-250 grams per square meter (GSM) and 20 burst factor or B.F.), which find application in the packaging industry, particularly in the manufacturing of corrugated boxes. The company has its production facility in Kurukshetra, Haryana, with an installed manufacturing capacity of 135,000 metric tonnes per annum (MTPA). Situated amid the major agricultural belt, the plant location benefits from a sufficient and consistent availability of waste agricultural produce, the key raw material required in manufacturing. The company caters to a diversified customer base, with the bulk of sales coming from North India. Sainsons also has a captive agro-waste-based power plant with a 9 MW capacity. As of 9M FY2025, the company has incurred a capex of Rs. 15-16 crore for setting up new, high-efficiency turbines with 12 MW capacity. The additional power capacity will help SPIPL to cater to the new upcoming plant, which will manufacture low GSM paper and is expected to commence operations by the end of FY2026.

The company is promoted by Saini and family, with Mr. Balkrishan Saini being the founder and Executive director and Mr. Pradeep Saini (s/o Mr. Sadhu Ram Saini – 2nd founder) as the Managing Director.

Key financial indicators (audited)

Sainsons Standalone	FY2023	FY2024	9M FY2025*
Operating income	450.3	373.3	320.7
PAT	12.4	4.4	14.6
OPBDIT/OI	7.8%	6.5%	9.7%
PAT/OI	2.8%	1.2%	4.6%
Total outside liabilities/Tangible net worth (times)	0.6	0.5	0.5
Total debt/OPBDIT (times)	1.2	1.5	0.8
Interest coverage (times)	12.3	9.3	19.9

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 13, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	62.43	**[ICRA]A- (Stable)**	May 31, 2024	[ICRA]A- (Stable)	-	-	Feb 27, 2023	[ICRA]A- (Stable)	Dec 07, 2021	[ICRA]A- (Stable)
										Dec 31, 2021	[ICRA]A- (Stable)
Cash credit	Long term	36.00	**[ICRA]A- (Stable)**	May 31, 2024	[ICRA]A- (Stable)	-	-	Feb 27, 2023	[ICRA]A- (Stable)	Dec 07, 2021	-
										Dec 31, 2021	[ICRA]A- (Stable)
Letter of Credit	Short term	2.00	**[ICRA]A2+**	May 31, 2024	[ICRA]A2+	-	-	Feb 27, 2023	[ICRA]A2+	Dec 07, 2021	-
										Dec 31, 2021	[ICRA]A2+
Interchangeable Bank Guarantee	Short term	(2.00)	**[ICRA]A2+**	May 31, 2024	[ICRA]A2+	-	-	Feb 27, 2023	[ICRA]A2+	Dec 07, 2021	-
										Dec 31, 2021	[ICRA]A2+
Unallocated limits	Long term	0.00	-	May 31, 2024	[ICRA]A- (Stable)	-	-	Feb 27, 2023	[ICRA]A- (Stable)	Dec 07, 2021	-
										Dec 31, 2021	-
Overdraft Facilities	Short term	0.00	-	-	-	-	-	-	-	Dec 07, 2021	[ICRA]A2+
										Dec 31, 2021	[ICRA]A2+
Standby Line of Credit	Short term	0.00	-	-	-	-	-	-	-	Dec 07, 2021	-
										Dec 31, 2021	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Cash credit	Simple
Short-term, Non- fund-based Letter of credit	Very simple
Short-term, Interchangeable Bank Guarantee	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Term loan	FY2023	NA	FY2030	62.43	[ICRA]A- (Stable)
NA	Long-term Fund-based – Cash credit	NA	NA	NA	36.00	[ICRA]A- (Stable)
NA	Short-term, Non- fund-based Letter of Credit	NA	NA	NA	2.00	[ICRA]A2+
NA	Short-term, Interchangeable Bank Guarantee	NA	NA	NA	(2.00)	[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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