Shree Krishna Paper Mills & Industries Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long Term Fund-Based Facilities	Rs. 48.00 crore	[ICRA] BB- (Stable) (Upgraded)
Cumulative Redeemable Preference Share	Rs. 5.00 crore	[ICRA] BB- (Stable) (Upgraded)
Short Term Non Fund-Based Facilities	Rs. 14.00 crore	[ICRA] A4 (Upgraded)

ICRA has upgraded the long term rating to [ICRA]BB- (pronounced ICRA double B minus) from [ICRA]D (pronounced ICRA D) for Rs 48.00 crore[1] fund-based bank facilities of Shree Krishna Paper Mills & Industries Limited (SKPMIL)[†]. Also, ICRA has upgraded the long term rating for Rs 5.00 crore Cumulative Redeemable Preference Shares to [ICRA]BB- from [ICRA]D. ICRA has also upgraded the short term rating for Rs. 14.00 crore non fund-based bank facilities of SKPMIL to [ICRA]A4 (pronounced ICRA A four) from [ICRA]D.

The rating upgrade takes into account regularization of debt servicing supported by sizeable funds (Rs. 16.78 crore) received from excise department against a pending refund. SKPMIL has utilized these funds received in the month of June 2016 towards debt reduction, wherein utilization of working capital limits has been cut down and majority of pending term debt liability has been prepaid with only partial amount (~Rs. 2 crore) pending against last term loan installment due in March 2016.

While ICRA is cognizant of sizeable repayment (Rs. 5 crore) of cumulative redeemable preference shares (CRPS) due in March 2017, the modest cash accruals of Rs. 5-6 crore from the core business coupled with cushion in utilization of working capital limits are expected to support the repayment of these preference shares and balance term liabilities. ICRA notes that SKPMIL will subsequently become term debt free in FY2018, though recompense liability towards lenders under CDR can result in modest repayment liability in FY2018 and FY2019.

While upgrading the ratings, ICRA also takes into account satisfactory operational performance of the company with capacity utilization of its newsprint plant at Kotputli exceeding 100% for last few years, which coupled with ongoing shifting of manufacturing capacity for coated paper and thermal sensitive paper from Bahadurgarh unit to Kotputli unit will benefit the company in medium term by way of cheaper grid power and operational synergies. Besides, the proposed improvements in product mix can drive improvement in sales, profits and accruals.

The ratings however continue to remain constrained on account of weak financial profile characterized by accumulated losses; industry-wide challenges including increasing input costs, cheaper imports, declining global demand for newsprint paper, and highly fragmented and competitive nature of the industry; and SKPMIL's history of debt re-schedulement twice - latest being in August 2009 owing to weak operational performance.

Going forward, improvement in production, sales and profits through better product mix, restarting and stabilization of production for coated paper and thermal sensitive paper will remain key rating sensitivities besides the scale and funding mix of any capital expenditure undertaken by the company towards augmentation or modernization of production capacities.

Company's Profile

Shree Krishna Paper Mills & Industries Limited (SKPMIL) was incorporated by Pasari Group in the year 1972. While the Company manufactures newsprint paper, and printing and writing Paper (PWP) at its Kotputli (Rajasthan) unit having installed capacity of 36,000 MTPA, the capacitiy of 14,000 MTPA for manufacturing coated paper and thermal Sensitive Paper (TSP) earlier installed at Bahadurgarh (Haryana) unit is being shifted to Kotputli unit. The erstwhile coated paper manufacturing unit at Bahadurgarh, Haryana was acquired from Bansal Paper Mills in the year 1974, while the printing and writing paper unit at Kotputli was commissioned in FY2006.

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[1] Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

The company had availed a sizeable term loan to fund the capex at Kotputli unit. However, as the production did not commence as planned due to technical issues, the company suffered huge losses, thereby resulting in complete erosion of its net worth. Subsequently, the company made references to corporate debt restructuring in the year 2007 and in the year 2009, whereby its debt was rescheduled.

In FY2016, SKPMIL reported an Operating Income (OI) of Rs. 125.0 crore, Operating Profit before Depreciation, Interest, Taxes and Amortization (OPBDITA) of Rs. 10.4 crore and Profit after Tax (PAT) of Rs. 2.4 crore against an OI of Rs. 140.9 crore, OPBDITA of Rs. 8.8 crore and PAT of Rs. 0.4 crore reported in FY2015.

Recent Results:
In Q1 FY2017, SKPMIL has reported an OI of Rs. 32.5 crore, OPBDITA of Rs. 3.5 crore, Extraordinary Income of Rs. 16.8 crore and PAT of Rs. 16.8 crore against an OI of Rs. 32.3 crore, OPBDITA of Rs. 1.5 crore and net loss of Rs. 0.4 crore reported in Q1 FY2016.

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