March 22, 2017

Shree Krishna Paper Mills & Industries Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long Term Fund-Based Facilities	Rs. 27.00 crore (reduced from Rs.48.00 crore)	[ICRA] BB- (Stable) /Re-affirmed
Short Term Non Fund-Based Facilities	Rs. 12.00 crore (reduced from Rs. 14.00 crore)	[ICRA] A4/Re-affirmed
Cumulative Redeemable Preference Share	Rs. 5.00 crore	[ICRA] BB- (Stable)/Re-affirmed

**Instrument details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed its long-term rating of [ICRA] BB- (pronounced ICRA double B minus) on the Rs. 27.00-crore (reduced from Rs. 48.00 crore) long term fund based facilities and Rs. 5.00-crore Cumulative Redeemable Preference Shares of Shree Krishna Paper Mills & Industries Limited (SKPMIL)[1]. ICRA has also reaffirmed its short term rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 12.00 (reduced from Rs. 14.00) crore non fund-based bank facilities of SKPMIL.The outlook on the long-term rating is 'Stable'.

Rationale

The rating re-affirmation takes into account SKPMIL's satisfactory operational performance with high capacity utilization of its newsprint plant at Kotputli, Rajasthan. ICRA also takes note of the company's increasing operating margins accompanied by healthy cash accruals as reflected in the company's provisional results for 9MFY2017. ICRA while reaffirming the ratings also notes that post the refund from the excise department, the company's utilization of the working capital limits has reduced.

The ratings however continue to remain constrained by sizeable repayment (Rs. 5 crore) of cumulative redeemable preference shares (CRPS) due in March 2017. The rating reaffirmation also takes into account the industry-wide challenges including increasing input costs, cheaper imports, declining global demand for newsprint paper, and the highly fragmented and competitive nature of the industry. A confluence of these factors had led to a stretched liquidity position and delay in debt servicing by the company in FY2016. ICRA also takes note of the ongoing shift of manufacturing capacity for coated paper and thermal sensitive paper from Bahadurgarh, Haryana, to Kotputli, which, while likely to be beneficial over the medium term by way of cheaper grid power and operational synergies, does expose the company to stabilisation risks.

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 be the key rating sensitivities. The scale and funding mix of any capital expenditure undertaken by the company towards augmentation or modernization of production capacities will also be a key monitorable.

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

Key rating drivers

Credit Strengths

- Long standing experience of the promoters in the business
- The operating margin of the company has improved in FY2017 as the Bahadurgarh plant has been discontinued while the another unit has stabilized its operation resulting in reduction in raw material cost and other overheads
- The refund transferred by the central excise department has helped the company to pay off its term loan liabilities for FY2017 with only Rs. 2.0 crore of term liabilities remaining to be paid off in March 2017 with remaining amount being transferred to the working capital account which could be used to repay the CRPS in March 2017.

Credit Weakness

- Since the Bahadurgarh plant has been discontinued with the plant & machinery being shifted to the another unit which has stagnated the top-line as is evident by the financials of the last two years, whether the company would be able to install these machineries in a timely manner along with maintaining its top-line in the medium term remains to be seen.
- Industry-wide challenges including increasing input costs, cheaper imports, declining global demand for newsprint paper, and highly fragmented and competitive nature of the industry

Description of key rating drivers highlighted above:

Shree Krishna Paper Mills & Industries Limited manufactures newspaper print at its Kotputli plant (Rajasthan) while its other unit at Bahadurgarh (Haryana) has been shut down with the plant and machinery being transferred to its Kotputli unit. The promoters of the company have long standing experience, with established customer base with clients such as Dainik Jagran, Amar Ujala etc. Post the refund received by the company from the excise department the working capital utilization has also reduced, which in the medium term would provide a cushion towards repayment of its existing liabilities towards the year end.

The company though operates in an industry characterized by high competitive intensity, weaker demands of the newspaper print due to technical up gradation and cheaper imports. These factors had led to a stretched liquidity position, resulting in irregularities in debt servicing in FY2016. SKPMIL has also shut down its Bahadurgarh Unit with the plant and machinery being transferred to Kotputli unit which would require some time for stabilization, during which period the turnover of the company is expected to remain stagnant due to limited capacity in the short term.

About the Company:

Shree Krishna Paper Mills & Industries Limited (SKPMIL) was incorporated by Pasari Group in 1972. While the company manufactures newsprint paper, and printing and writing Paper (PWP) at its Kotputli (Rajasthan) unit having installed capacity of 38,000 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 the Kotputli unit. The erstwhile coated paper manufacturing unit at Bahadurgarh was acquired from Bansal Paper Mills in 1974, while the printing and writing paper unit at Kotputli was commissioned in FY2006.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable**.**

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years				
		Type	Rated amount (Rs. Crores)	Month - year & rating	Month - year & Rating in FY2017	Month - year & Rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
				March 2017	September 2016	April 2016	NA	March 2015	February 2014
1	Long term fund based facilities	Long term	27.00	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]D	[ICRA]C+	[ICRA]C+	[ICRA]C+
2	Short tern non-fund based facilities	Short term	12.00	[ICRA]A4	[ICRA]A4	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4
3	CRPS	Long term	5.00	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]D	[ICRA]C+	[ICRA]C+	[ICRA]C+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term loan	-	-	March 2017	2.00	[ICRA]BB-(Stable)
Working capital facilities	-	-	-	25.00	[ICRA]BB-(Stable)
Short term non-fund based facilities	-	-	-	12.00	[ICRA]A4
Cumulative Redeemable Preference Shares	-	-	March 2017	5.00	[ICRA]BB-(Stable)

Source: Shree Krishna Paper Mills & Industries Limited

Name and Contact Details of the Rating Analyst(s):

Sabyasachi Majumdar
sabyasachi@icraindia.com
+91-124-4545 304

Manish Ballabh
manish.ballabh@icraindia.com
+91-124-4545 812

Gaurav Gupta
gaurav.gupta@icraindia.com
+91-124-4545 814

Vipin Jindal
Vipin.jindal@icraindia.com
+91-124-4545 355

Name and Contact Details of Relationship Contacts:

Jayanta Chatterjee
jayantac@icraindia.com
+91 80 4332 6401

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata
Mr. Jayanta Roy
Mobile: **+91 9903394664**
Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231

Pune
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500