Shree Krishna Paper Mills & Industries Limited

April 03, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based facilities	27.00	25.00	[ICRA] BB-(Stable); re-affirmed
Short term non-fund facilities	12.00	12.00	[ICRA]A4; re-affirmed
Cumulative redeemable preference shares	5.00	0.00	[ICRA]BB-(Stable); withdrawn
Total	**44.00**	**37.00**	

Rating action:

ICRA has reaffirmed the long-term rating of [ICRA] BB- (pronounced ICRA double B minus) on the Rs. 25.00-crore (reduced from Rs. 27.00 crore) long term fund-based facilities 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 crore non-fund-based bank facilities of SKPMIL.The outlook on the long-term rating is 'Stable'. ICRA has also withdrawn its long-term rating of [ICRA]BB-(Stable) on the Rs. 5.00 crore cumulative redeemable preference shares.

Rationale:

The rating re-affirmation takes into account SKPMIL's satisfactory performance with high capacity utilisation of its newsprint plant at Kotputli, Rajasthan and the moderate levels of operating income achieved during 9MFY2018, however the company's operating margins have declined during the same period on account of GST imposed on waste paper, the basic raw material and the company's inability to pass on the same to its customers .ICRA while reaffirming the ratings also notes that company has sold off a land parcel from which it has received proceeds of Rs. 5.40 crore which would increase the net-worth and further decrease the working capital requirements.

The ratings however continue to remain constrained by 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. 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*

Outlook: Stable

ICRA believes that SKPMIL will continue to benefit over the medium term from the extensive industry experience of its promoters. The outlook may be revised to Positive if there is a significant increase in the company's revenues and profitability margins, along with sustained improvement in its capital structure. Conversely, the outlook may be revised to Negative in case of a steep decline in the company's revenues or profitability margins or weakening of its financial risk profile.

Key rating drivers:

Credit strengths

Four-decade long experience of the promoters in the industry: The company's promoters have experience of more than 40 years in the paper industry which has enabled them to establish a name in the newsprint industry.

Long term association with reputed customers: The company's customer profile consists of some big industry players such as Dainik Jagran, Amar Ujala etc. from which it has been able to get repeated orders.

Credit challenges

Highly fragmented industry characterized by intense competition from large number of organized and unorganized players-The company faces stiff competition from both organised and unorganised players in the paper industry, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

Vulnerability of profitability to any adverse fluctuation in raw material prices-The company's margins are largely affected by the raw material price fluctuation which in turn affects the sales realisations. Any adverse movement in the price of raw materials could have an adverse impact on the company's margins, considering the limited ability to pass on the price hike owing to high competitive intensity.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology
Paper Industry

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.

In FY2017, the company reported a net profit of Rs. 24.1 crore on an operating income (OI) of Rs. 137.90 crore compared with a net profit of Rs. 2.5 crore on an OI of Rs. 125.0 crore in the previous year.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	125.0	137.9
PAT (Rs. crore)	2.5	24.1
OPBDIT/OI (%)	8.34%	8.96%
RoCE (%)	16.40%	61.56%
Total Debt/TNW (times)	-10.59	1.24
Total Debt/OPBDIT (times)	4.8	2.0
Interest Coverage (times)	2.1	4.7
NWC/OI (%)	13.73%	10.34%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years				
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding	Date & Rating April 2018	Date & Rating in FY2018 September 2017	Date & Rating in FY2017 March 2017	September 2016	April 2016	Date & Rating in FY2016 NA
1	Cash credit	Long Term	25.00	-	[ICRA] BB-(Stable)	[ICRA] BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]D	NA
2	Letter of Credit	Short Term	10.00	-	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]D	NA
3	Bank Guarantee	Short Term	2.0	-	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]D	NA
4	Cumulative Redeemable Preference Shares	Long Term	5.00	0.00	[ICRA]BB-(Stable); withdrawn	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]D	NA

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	25.00	[ICRA] BB-(Stable)
NA	Letter of Credit	NA	NA	NA	10.00	[ICRA]A4
NA	Bank Guarantee	NA	NA	NA	2.00	[ICRA]A4
NA	Cumulative Redeemable Preference Shares	NA	NA	NA	5.00	[ICRA]BB-(Stable); withdrawn

Source: SKPMIL

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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

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