

January 17, 2025<sup>(Revised)</sup>

## Sripathi Paper and Boards 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 – Cash Credit	211.00	246.80	[ICRA]BBB- (Stable); Reaffirmed & Assigned for enhanced amount
Long-term – Fund-based – Cash Credit	39.00	39.00	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
Long-term – Term loans	33.88	14.69	[ICRA]BBB- (Stable); Reaffirmed
Long-term – Term loans	20.56	20.56	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
Long-term – Proposed fund-based limits	6.12	133.56	[ICRA]BBB- (Stable); Reaffirmed & Assigned for enhanced amount
Long-term – Proposed fund-based limits	43.88	43.88	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
Short-term – Non-fund based – LC	98.00	103.95	[ICRA]A3; Reaffirmed & Assigned for enhanced amount
Short-term – Non-fund based – BG	1.00	1.00	[ICRA]A3; Reaffirmed
Short-term – Proposed Non-fund-based limits	46.56	46.56	[ICRA]A3; Reaffirmed & Withdrawn
<b>Total</b>	<b>500.00</b>	<b>500.00<sup>^</sup></b>	

\*Instrument details are provided in Annexure-I; <sup>^</sup> Rs. 150.00 crore has been withdrawn & Rs. 150.00 crore is enhancement hence the total amount remains same

### Rationale

The ratings action on the bank lines of Sripathi Paper and Boards Private Limited (SPBPL) considers ICRA's expectation that its credit profile will be supported by expected growth in revenues and profitability on the back of increased share of value-added products and cost saving measures undertaken by the company. SPBPL's revenues declined by ~24% in FY2024 owing to a sharp fall in realisations amid industry-wide pricing pressure while volumes remained flat. In 7M FY2025, revenues were largely flat amid continued fall in realisations even though demand was largely stable. SPBPL has launched value-added products in duplex board and kraft segments, which are expected to support revenue growth, going forward. Weak realisations, inflation in input costs and higher promotion-related costs resulted in a sharp contraction in SPBPL's operating margin in the current year. Going forward, rising share of value-added products and cost-saving measures are expected to support margins.

The ratings remain supported by SPBPL's diversified product mix with capability to produce kraft paper, duplex boards, writing and printing papers and newsprint, regular infusion of funds from Srinidhi Alternative Investment Fund (SAIF), which holds a 76% stake<sup>1</sup> (expected to increase its stake to 100% by March 2025) in SPBPL. Cumulatively, SAIF has infused ~Rs. 518.0 crore in SPBPL in the form of equity, unsecured loans, and dealer deposits, and is expected to continue to provide need-based support, going forward. ICRA notes that interest and principal on unsecured loans are subordinated to the bank loans.

The ratings are, however, constrained by the company's moderate scale of operations, vulnerability of profitability to adverse fluctuations in prices of wastepaper as well as pricing trends of final products (as witnessed in FY2024 and YTD FY2025), and forex movements. Moreover, intense competition in the duplex/ kraft paper segment owing to many unorganised players in the field results in pricing pressure. The company's working capital intensity remains high owing to its high inventory levels. SPBPL's capitalisation and coverage metrics have moderated in FY2025 with adjusted debt (net debt excluding promoter loans) to OPBITDA expected to rise to over 3.0 times amid moderation in the operating margins. However, its debt metrics are expected to improve from FY2026 with the likely increase in revenues and margins.

<sup>1</sup> Stake held through Srinidhi Category II Alternative Investment Fund

ICRA has reaffirmed and withdrawn the [ICRA]BBB-(Stable)/ [ICRA]A3 ratings assigned to the Rs. 150.0 crore bank limits at the company's request and based on the No Objection Certificate received from the lenders, in accordance with ICRA's policy on withdrawal of credit ratings.

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from the extensive experience of its management, its diversified end-user industries and improving product profile, which are likely to support growth in earnings.

## Key rating drivers and their description

### Credit strengths

**Established track record of the company in the paper industry** – Incorporated in 2002, SPBPL has been manufacturing paper products and has developed an established presence and distribution network in the market over the past two decades. Its day-to-day operations are managed by Mr. N. Murali, who has extensive experience in the paper industry. During the last two years, the management has brought together a team of seasoned professionals from the paper industry to manage the business in different verticals.

**Diversified product profile and stable demand prospects** – SPBPL has four manufacturing units at Sivakasi and one in Sathyamangalam (Tamil Nadu) with a total production capacity of 2,76,500 MT. Its product portfolio is well diversified with capacities to manufacture duplex board, kraft paper, newsprint and writing and printing paper (WPP). It produces categories of coated duplex board, which is extensively used in the printing, match box, fireworks, textiles and packaging industries. SPBPL is also involved in manufacturing kraft paper and WPP, although ~70% of the total sales was derived from duplex board in FY2024, a value-added product that generates relatively higher margins than other products. SPBPL has launched margin accretive new products such as eco folding box board, specialized white back products for wedding card segment, uncoated high bulk product for match industry, cup stock, odour-free kraft paper and coated white kraft liner in the duplex board segment, which are direct competition to virgin boards and is also working on developing new value-added products, in collaboration with customers that will aid the margins, going forward. Over 85% of its revenues is derived from the domestic market with Tamil Nadu and Karnataka being the major end-markets. The capacity utilisation stood at ~60% in 7M FY2025, which is expected to improve, supporting the overall scale with associated benefits. Its customer base is moderately diversified with its top five customers generating ~43% of its total sales in FY2024.

**Regular fund infusions from Srinidhi Alternative Investment Fund** – SAIF has infused Rs. 518.0 crore (till 9M FY2025) in the form of equity, dealer deposits, and unsecured loans and has given a notable commitment towards SPBPL's funding requirements, if any. SAIF plays a significant supervisory role in the operations of the company and has placed industry experts in critical functions. ICRA notes that the interest and the principal on unsecured loans extended are subordinated to bank loans.

### Credit challenges

**Vulnerability of profitability to adverse fluctuations in raw material prices, realisations, and forex movements** – SPBPL's profitability is exposed to any sharp fluctuation in raw material prices, primarily wastepaper. A large portion of the wastepaper is imported, and the prices remain exposed to global demand-supply dynamics. The company's pricing flexibility is limited by competition in the market, which can impact its revenues and profitability, as witnessed in FY2024 and 7M FY2025. Further, the company imports 50-55% of its raw material requirement, making it vulnerable to movement in forex rates.

**Highly competitive nature of the industry** – SPBPL operates in a highly fragmented industry and faces intense competition, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins. Nonetheless, presence in the multiple segments (kraft, duplex, newsprint and WPP) and its established relationships with major players in the fireworks, matchsticks, printing and FMCG sectors are key mitigating factors for the company.

**Modest capitalisation and coverage metrics** – SPBPL had modest debt protection coverage metrics with adjusted debt/OPBITDA (net debt excluding promoter loans) of 3.1 times along with an interest coverage ratio of 1.5 times and DSCR of 1.1

times in FY2024. While the coverage metrics are likely to moderate in FY2025 owing to the expected decline in margins, the same would improve from FY2026 due to higher accruals on the back of improved profit margins. ICRA notes that the company has capex plans towards strengthening its business offerings and improving its efficiency metrics, and the same is expected to be funded by term loans.

### Liquidity position: Adequate

SPBPL's liquidity is **adequate** with estimated retained cash flows of Rs. 20-35 crore in FY2025 and FY2026, along with cash balances of Rs. 22-23 crore and undrawn working capital lines of Rs. 45.8 crore as on December 31, 2024. In relation to these sources of cash, SPBPL has capex commitments of Rs. 90-110 crore in FY2025 and FY2026 with debt repayment obligations of Rs. 11 crore in the next twelve months. It intends to avail a term loan of Rs. 100 crore to fund the capex, but the same is yet to be tied up. ICRA notes that SAIF has a minimum commitment of Rs. 42 crore and has also committed to provide additional liquidity support to SPBPL, if required.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if the company registers a sustained growth in revenues and profitability along with a sharp improvement in debt metrics and liquidity position.

**Negative factors** – The ratings could witness a downward revision in case of any material decline in revenue/ profitability of the company, resulting in a deterioration in debt protection metrics or liquidity. Specific credit metric impacting the ratings include adjusted debt/OPBITDA of more than 3.0 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Sripathi Paper and Boards Private Limited was set up in 2002 with a capacity of 30 MT per day for kraft paper. Over the years, SPBPL has expanded its production capacity to 790 TPD with machinery to manufacture products such as kraft paper, duplex board, writing and printing paper, and newsprint. In FY2022, Srinidhi Alternative Investment Fund acquired a 76% stake in the company and is expected to increase its stake to 100%, and the erstwhile promoters are expected to exit by March 2025. The management has brought together a team of seasoned professionals from the paper industry to manage the business in different verticals. SPBPL uses recycled fibre, i.e., wastepaper, as raw material for paper manufacturing. Headquartered in Coimbatore, SPBPL operates out of its five plants across Sivakasi (four) and Sathyamangalam (one) in Tamil Nadu. The plants are spread over 77 acres of land at Sivakasi and 20 acres at Sathyamangalam. SPBPL has a 6-MW co-generation power plant and a windmill of 1.45-MW capacity to ensure continuous power supply.

### Key financial indicators (audited)

Sripathi Paper and Boards Private Limited	FY2023	FY2024
<b>Operating income</b>	754.5	576.2
<b>PAT</b>	11.2	1.3
<b>OPBDIT/OI</b>	12.7%	14.5%
<b>PAT/OI</b>	1.5%	0.2%
<b>Total outside liabilities/Tangible net worth (times)</b>	1.5	1.6
<b>Total debt/OPBDIT (times)</b>	4.0	5.2
<b>Interest coverage (times)</b>	1.7	1.5

Source: Company, ICRA Research; 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 rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs Crore)	17-JAN-2025	Date	Rating	Date	Rating	Date	Rating
Long term-proposed-fund based	Long Term	133.56	[ICRA]BBB-(Stable)	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)	-	-
Long term-proposed-fund based	Long Term	43.88	[ICRA]BBB-(Stable); Withdrawn	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)		
Short term-letter of credit-non fund based	Short Term	103.95	[ICRA]A3	06-OCT-2023	[ICRA]A3	21-FEB-2023	[ICRA]A3	-	-
Short term-bank guarantee-non fund based	Short Term	1.00	[ICRA]A3	06-OCT-2023	[ICRA]A3	21-FEB-2023	[ICRA]A3	-	-
Short term-proposed-non fund based	Short Term	46.56	[ICRA]A3; Withdrawn	06-OCT-2023	[ICRA]A3	21-FEB-2023	[ICRA]A3	-	-
Long term-cash credit-fund based	Long Term	246.80	[ICRA]BBB-(Stable)	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)	-	-
Long term-cash credit-fund based	Long Term	39.00	[ICRA]BBB-(Stable); Withdrawn	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)		
Long term-term loan-fund based	Long Term	14.69	[ICRA]BBB-(Stable)	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)	-	-
Long term-term loan-fund based	Long Term	20.56	[ICRA]BBB-(Stable); Withdrawn	06-OCT-2023	[ICRA]BBB-(Stable)	21-FEB-2023	[ICRA]BBB-(Stable)		

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - fund based - cash credit	Simple
Long Term - term loan	Simple
Long Term - proposed fund based	Simple
Short Term - non-fund based - LC	Very Simple
Short Term - non-fund based - BG	Very Simple
Short Term - proposed non-fund based	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	Cash Credit	-	-	-	246.80	[ICRA]BBB- (Stable)
NA	Cash Credit	-	-	-	39.00	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
NA	Term Loan - 1	Mar 2017	-	Oct 2023	11.93	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
NA	Term Loan - 2	Oct 2017	-	Oct 2023	8.63	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
NA	Term Loan - 3	Jan 2018	-	Aug 2025	6.42	[ICRA]BBB- (Stable)
NA	Term Loan - 4	Feb 2019	-	Sep 2025	3.05	[ICRA]BBB- (Stable)
NA	Term Loan - 5	Oct 2023	-	May 2025	5.22	[ICRA]BBB- (Stable)
NA	Long term - Proposed	NA	NA	NA	133.56	[ICRA]BBB- (Stable)
NA	Long term - Proposed	NA	NA	NA	0.00	[ICRA]BBB- (Stable); Reaffirmed & Withdrawn
NA	Letter of Credit / Buyer's Credit	-	-	-	103.95	[ICRA]A3
NA	Bank Guarantee	-	-	-	1.00	[ICRA]A3
NA	Short term – Proposed	NA	NA	NA	0.00	[ICRA]A3; Reaffirmed & Withdrawn

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**
**Corrigendum**

Reason for withdrawal of Rs. 150.0 crore of bank limits has been added in the Rationale section

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545 300

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar Krishnamurthy**

+91 44 4596 4318

[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**

+91 40 6939 6416

[nithya.Debbadi@icraindia.com](mailto:nithya.Debbadi@icraindia.com)

**Nikhil Parakh**

+91 44 4596 4321

[nikhil.parakh@icraindia.com](mailto:nikhil.parakh@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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