

Shree Samrat Pulp and Paper Private Limited

Instrument	Amount rated	Rating Action
Long term: Fund Based Limits (Term loans)	Rs. 9.90 crore	[ICRA]BB+ (stable) reaffirmed
Long term: Fund Based Limits (Cash Credit)	Rs. 7.00 crore	[ICRA]BB+ (stable) reaffirmed
Short term: Non-fund Based Limits	Rs. 0.02 crore	[ICRA]A4+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) and the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the fund based and non-fund based limits aggregating to Rs. 16.92 crore¹ of Shree Samrat Pulp and Paper Private Limited (SSPPPL)². The outlook on the long-term rating is 'Stable'.

The reaffirmation of ratings takes into consideration the modest scale of operations of the company and its lack of product diversification. However, post the commissioning of capex in June 2015, the company has commenced manufacturing of higher burst factor (BF) paper to some extent, proportion of which, it plans to increase going forward. The ratings are further constrained by the exposure of the company's profitability to the volatility in the prices of the key raw material, viz. waste paper, and the intense competitive pressures in the low BF kraft paper category due to the highly fragmented nature of the industry and the low barriers to entry. The financial profile of the company continues to remain weak as evident from thin operating margins, losses at net level and modest coverage indicators.

The ratings, however, continue to draw comfort from the operational as well as financial support received by the largest shareholder of the company, i.e. Shree Ajit Pulp & Paper Limited (rated [ICRA]A-(stable)/[ICRA]A2+) which has a well-established track record in kraft paper business. The ratings also factor in the increase in the installed production capacity to 21,600 MTPA from 16,000 MTPA from June 2015 which would result in higher cash accruals from the business, the wide clientele and established dealer network of the company and the healthy demand indicators for the company's products in the consuming market in Pune (Maharashtra).

Company Profile

Shree Samrat Pulp and Paper Private Limited (SSPPPL) was incorporated in November 2010 and is promoted by Shree Ajit Pulp and Paper Limited (SAPPL) which has an equity stake of about 50%, Mewar Hotels Private Limited (promoted by Mr. Pankaj K. Mansingka and his family; 25% stake) and Mr. Sundeep M. Shah (promoter of Urvashi Pulp and Paper Mills Private Limited; 25% stake). SSPPPL took over an operational kraft paper manufacturing mill located at Pune (Maharashtra), previously under Godavari Pulp and Paper Mills Private Limited (also presided over by Mr. Pankaj K. Mansingka), located at Kurkumbh, Pune (Maharashtra) in March 2013. SSPPPL is currently engaged in the manufacture of low burst factor (BF) kraft paper, which is used primarily in the packaging industry, for making corrugated boxes, liners, textile tubes, duplex cartons etc. The manufacturing capacity of the unit is 21,600 metric tonnes per annum (MTPA) (increased from 16,000 MTPA in June 2015).

Recent Results

During FY2016, the company reported operating income of Rs. 30.0 crore (as against Rs. 28.1 crore during FY2015) and net loss of Rs. 0.7 crore (as against Rs. 0.1 crore during FY2015).

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¹ 1 crore = 10 million = 100 lakh

² For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



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