



Press Release

Shree Krishna Paper Mills & Industries Limited

October 13, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.00	IVR BB/Stable (IVR Double B with Stable Outlook)	IVR BB /Negative (IVR Double B with Negative Outlook)	Reaffirmed with change in outlook	Simple
Short Term Bank Facilities	17.00*	IVR A4(IVR A4)	IVR A4(IVR A4)	Reaffirmed	Simple
Total	42.00	Rupees Forty - Two Crore Only			

*Includes proposed limit of Rs. 5.00 crore

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating with change in outlook at IVR BB/Stable and reaffirmed the short-term rating of IVR A4 for the bank loan facilities of Shree Krishna Paper Mills & Industries Limited.

The rating continue to draws comfort from experienced and resourceful promoters and long track of record, Reputed customer profile albeit, moderate financial risk profile and expected reversal of negative PAT trend. However, these strengths are partially offset by Susceptibility of the profitability to volatility in the raw material and power tariffs and Intense competition in the industry.

IVR has principally relied on the standalone audited financial results of Shree Krishna Paper Mills & Industries Limited upto 31 March 2022, and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- An improvement in overall credit metrics marked by improvement in liquidity position.



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Downward Factors

- Substantial decline in operating income and cash accrual, a stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Significant deterioration in debt metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters and long track of record**

Shree Krishna Paper Mills & Ind. Ltd. (SKPM) was incorporated in 1972 and has been promoted by Pasari family who has more than 4 decades of experience in the paper industry. The promoter is supported by a highly qualified and trained team to run day to day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers.

- **Reputed customer profile albeit**

Company has built robust relationship with customers. Some of the customers are associated with the company for a long time, reflecting good product quality and strong management creditability. SKPL customer profile consists of some of very well-known clients such as Daily Ajit, Amar Ujala Publications Limited, Hindustan Media Ventures Limited etc. The four-decade-long experience of the promoters, their healthy relationship with customers and suppliers, and the diversified end-user profile will continue to support the business risk profile in medium term.

- **Moderate financial risk profile**

The group has moderate financial risk profile, as reflected in moderate long-term debt to equity ratio of 0.99x in FY22. Because of net losses from last three years, the tangible networth is declined and stood at Rs. 12.82 crore as on March 31, 2022, from Rs 14.59 crore as on March 31, 2021. The long-term debt of the company includes only GECL loans apart from unsecured loans which shows low reliance on external long-term debt.

- **Expected reversal of negative PAT trend**

Although the company incurred losses in the last 3 financial years, the company has been able to minimise its losses during the same period. The company reported a net loss of Rs. 5.37 crore in FY 20 which decreased to Rs. 3.27 crore in FY 21 and their losses further decreased to Rs. 1.31 crore in FY 22 and the same trend is expected in the future and the company is expected to generate profits in the future.



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Key Rating Weaknesses

- **Susceptibility of the profitability to volatility in the raw material and power tariffs:**

Raw material and power consumption constitutes a major portion of the total operating cost in FY22. The profitability margins of the company remain susceptible to volatility in the raw material prices and power tariff. Any adverse fluctuation in raw material price could impact the profitability of the company. Paper industry is a power intensive industry, and it is one of the major cost components after raw material. SKMIL is entirely dependent on State Electricity Board for supply of power.

- **Intense competition in the industry:**

Paper industry is highly fragmented with the presence of many organised and unorganised players due to low entry barriers leading to stiff competition and pricing pressure among players in the industry.

Analytical Approach: For arriving at the ratings, IVR has analyzed Shree Krishna Paper Mills & Industries Limited's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)
[Criteria for assigning Rating outlook](#)

Liquidity – Adequate

The liquidity position is considered adequate. The average utilisation of fund-based limits of the company remained moderate at ~86% through the last 12 months. Working capital cycle is comfortable at 43 days in FY21. The gross cash accruals were low at Rs. 2.06 crore in FY 22. However, the gross cash accruals are projected to improve to Rs. 7.18 crore during 2022-23 against minimal debt repayment obligations in the same period. The company maintains free cash and bank balances of Rs. 1.06 crore as on March 31, 2022. The current ratio stood below average at 0.82 times as on March 31, 2022. Infomerics believes that the liquidity of the company is likely to improve over the medium term on account of improvement in cash accruals.



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About the company

Shree Krishna Paper Mill and Industries Limited was incorporated on 14th September 1972, as a private limited company in the name of Shree Krishna Paper Products Private Limited and was converted into a public limited company on 2nd July 1986. The name was changed to Shree Krishna Paper Mills & Industries Ltd. effective 22nd October 1986. The company manufactures 15 different varieties of paper, which are used by numerous industries, consumers across the country and long-term business partners. The company has its 5-coating division in Haryana and Paper Division in Rajasthan with a sales and distribution network across India and exports to some countries in Southeast Asia.

Financials (Standalone):

For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	69.41	103.48
EBITDA	2.81	7.43
PAT	-3.27	-1.31
Total Debt	21.80	33.72
Tangible Net worth	14.59	12.82
EBITDA Margin (%)	4.05	5.23
PAT Margin (%)	-4.69	-1.26
Overall Gearing Ratio (x)	1.49	2.63

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22(September 14, 2021)	Date(s) & Rating(s) assigned in 2020-21(September 22, 2020)	Date(s) & Rating(s) assigned in 2019-20



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1.	Fund based	Long Term	25.00	IVR BB/Stable	IVR BB/Negative	IVR BB/Stable	-
2.	Non-fund based	Short Term	17.00*	IVR A4	IVR A4	IVR A4	-

*Includes proposed limit of Rs. 5.00 crore

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	25.00	IVR BB/Stable (IVR Double B with Stable Outlook)
Letter of Credit	-	-	-	9.00	IVR A4(IVR A4)
Bank Guarantee	-	-	-	3.00	IVR A4(IVR A4)
Proposed Short Term Facility	-	-	-	5.00	IVR A4(IVR A4)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Lender-13-10-22-SKPM.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).