



Press Release

Shree Krishna Paper Mills & Industries Limited

October 19, 2023

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	19.53	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
2.	Short Term Bank Facilities	12.00	IVR A4 (IVR A Four)	IVR A4+ (IVR A Four Plus)	Upgraded	Simple
	Total	31.53	Rupees Thirty One Crore and Fifty Three Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

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

The rating continues to draw comfort from its experienced and resourceful promoters and long track of record, reputed customer profile albeit, improvement in scale of operations, moderate financial risk profile. however, these rating strengths are partially offset by susceptibility of the profitability to volatility in the raw material and power tariffs, intense competition in the industry.

IVR has principally relied on the audited financial results of SKPMIL's up to 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.



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Upward Factors

- Significant growth in scale of operations with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Efficient working capital management, leading to moderation in bank limit utilisation.

Downward Factors

- Decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Stretch in the working capital cycle, straining the financial risk profile, especially 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. SKPMIL 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.



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Improvement in scale of operations:

The total operating income has substantially increased by ~71.90% to Rs. 177.88 crore in FY2023 from Rs.103.48 crore in FY2022 due to company introducing new products on account of expansion of business and adopting an aggressive marketing effort. With the increase in the total operating income, the Absolute EBITDA has also increased from Rs.7.43 crore in FY2022 to Rs. 12.04 crore in FY2023. However, in terms of percentage, EBITDA margins have moderately decreased from 7.18% in FY2022 to 6.77% in FY2023. The company has incurred losses in the last 3 years. The Absolute PBT has increased from Rs. Negative -1.71 crore in FY2022 to Rs. 16.58 crore in FY2023 which includes exception item (Profit on sale of fixed assets) of Rs 13.32 crore resulting net profit from operation before tax was Rs 3.26 crore. PAT has also improved from Rs. -1.31 crore in FY2022 to Rs.12.56 crore in FY2023 due to the exception items. However the net profit from operation was Rs. 2.44 crore which comes to 1.38% of total operating income.

Moderate financial risk profile:

The group has moderate financial risk profile, as reflected in moderate long-term debt to equity ratio of 0.48x in FY2023. Tangible net worth has increased to Rs. 26.38 crore in FY2023 from Rs.12.83 crore in FY2022 mainly due to profit earned by the company in FY2023. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) improved to 3.04x in FY2023 as compared to 2.00x in FY2022, and the debt service coverage ratio (DSCR) improved to 3.66x in FY2023 as compared to 1.38x in FY2022. This was mainly due to improvement in GCA.

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 FY2023. 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. SKPMIL is entirely dependent on State Electricity Board for supply of power.



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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 analysed SKPMIL'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 rating outlook](#)

Liquidity – Adequate

The liquidity position is considered adequate. The average utilisation of fund-based limits of the company remained moderate at ~68% through the last 12 months. Working capital cycle is comfortable at 30 days in FY2023. The gross cash accruals were moderate at Rs. 7.04 crore in FY2023. However, the gross cash accruals are projected to improve to Rs. 6.33 crore -Rs.8.83 crore during 2023-24 against minimal debt repayment obligations in the same period. The company maintains free cash and bank balances of Rs. 0.72 crore as on March 31, 2023. The current ratio stood moderate at 1.03 times as on March 31, 2023.

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 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.



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Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	103.48	177.88
EBITDA	7.43	12.04
PAT	-1.31	12.56
Total Debt	33.72	28.62
Tangible Net worth	12.83	26.38
EBITDA Margin (%)	7.18	6.77
PAT Margin (%)	-1.26	7.05
Overall Gearing Ratio (x)	2.63	1.08

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	19.53	IVR BB+/Stable (Upgraded)	IVR BB/Stable (October 13, 2022)	IVR BB/Negative (September 14, 2021)	IVR BB/Stable (September 22, 2020)
2.	Non Fund Based	Short Term	12.00	IVR A4+ (Upgraded)	IVR A4	IVR A4	IVR A4



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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
Long Term Bank Facility – Cash Credit	-	-	-	12.50	IVR BB+/Stable
Long Term Bank Facility - Cash Credit	-	-	-	7.03	IVR BB+/Stable
Short Term Bank Facility – Bank Guarantee	-	-	-	2.33	IVR A4+
Short Term Bank Facility – Letter of Credit	-	-	-	7.00	IVR A4+
Short Term Bank Facility – Bank Guarantee	-	-	-	0.67	IVR A4+
Short Term Bank Facility – Letter of Credit	-	-	-	2.00	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/len-SKPMIL-oct23.pdf>

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



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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](#).