



Press Release

Shree Krishna Paper Mills & Industries Limited

Sept 22, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	25.00	IVR BB /Stable Outlook (IVR Double B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	12.00	IVR A4 (IVR A Four)	Assigned
3.	Proposed Bank Facilities – Long / Short Term	3.00	IVR BB /Stable Outlook (IVR Double B with Stable Outlook)/ IVR A4 (IVR A Four)	Assigned
	Total	40.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shree Krishna Paper Mills & Industries Limited (SKPMIL) comfort from its experienced and resourceful promoters having long track record of operations of successfully running paper mill, comfortable capital structure and moderate working capital intensive nature of operations. The ratings also positively considers reputed customer profile albeit. However, these rating strengths are partially offset by decline in operating income in FY20, intense competition and susceptibility of the profitability to volatility in the raw material and power tariff. The ratings also considers negative outlook of paper industry.

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics

Downward factor:

- Dip in operating income and/or profitability impacting the debt coverage indicators,
- Withdrawal of Unsecured loan and/ or moderation in capital structure.



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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. (SKPMIL) was incorporated in 1972 and is 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 Dainik Jagran, Amar Ujala, Daily Ajit etc. Top 5 customer in financial year 2020 contribute to 47% of total income indicating customer concentration

Comfortable capital structure

The company has a comfortable capital structure with negligible long term debt of Rs 0.03 crore with repayment of Rs 0.14 crore and bank borrowing limit of Rs 16.86 crore in FY20. The overall gearing and long term debt to equity ratio stood comfortable at 0.78x and 0.01x with a modest net worth of Rs.21.95 crore as on March 31,2020 (Infomerics has considered unsecured loan from related parties as quasi equity). The company intends to make payment towards interest and repayment of secured loan from the realisation of profit from part sale of Bahadurgarh land and building.



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Moderate Working capital intensive nature of operations:

The operations in manufacturing of paper sector are capital intensive. SKPMIL has shifted a part of manufacturing capacity for coated paper and kraft paper from Bahadurgarh to Kotputli. The working capital operations of the company are efficiently managed and stood at 33 days in FY20 driven by efficient receivables 55 days, moderately inventory 57 days and creditors of 79 days backed by LC for imports of raw material. The company has utilised bank limits to the extent of 78% in the past twelve months ending May 2020.

Key Rating Weaknesses

Decline in operating income in FY20:

SKPMIL total operating income declined from Rs 142.16 crore in FY19 to Rs 101.28 crore in FY20 due to cheap availability of substitute of imported paper and reduced emphasis on newsprint paper and concentrating on more on other paper products. With decrease in total operating income EBITDA margin declined from 7.99% in FY19 to (3.79%) in FY20. In FY20, the company realised Rs ~ 6.69 crore from sale of part of Bahadurgarh land and building however against this right of recompense of Rs 6 crore is charged. Moderation in PAT margin of the company is observed in FY20 due to increase in deferred tax. SKPMIL derive 47% of its revenue in FY 2020 from top five customers indicating customer concentration risk.

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

Raw material and power consumption contribute to 80% of the total operating cost in FY20. The profitability margins of the company remains 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 component 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 a large number of organised and unorganised players due to low entry barriers leading to stiff competition and pricing pressure among players in the industry.

Outlook of Paper Industry:

Increasing urbanization and middle class population with surge in literacy rates in India, is expected to create huge demand for paper products such as newsprint, packaging, and writing paper. But the new Millennium is dominated by progress in computer science and access of internet leading to shift in focus from physical paper to e-media via electronic sites, applications based news. As a huge amount of data being generated electronically.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

SKPMIL average utilisation of fund-based limit was 78% for the 12 months ended May 2020. Its working capital cycle stood comfortable at 33 days in FY20 (FY19: 27 days) due to increased debtor and inventory days. The cash accruals are estimated to improve to Rs. 5.24 – 5.52 crores during 2021-22, while its repayment obligations are expected to Rs 0.55 – 0.74crore. The company maintains free cash and bank balances of Rs. 0.70 crore as on March 31, 2020. The current ratio stood below average at 0.80 times as on March 31, 2020. Infomerics believes that the liquidity of the company is likely to improve over the medium term on account of improvement in net cash accruals



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About the Entity

Shree Krishna Paper Mills & Ind. Ltd. (SKPMIL) was incorporated in 1972 .The company is engaged in manufacturing of newsprint paper and other value added products from waster paper at Keshwana unit, dist Jaipur, Rajasthan. The company has an installed capacity of producing 38000 MT and operating at 66% of capacity utilisation in FY20.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	142.61	101.28
EBITDA	11.40	(3.80)
PAT	4.50	(5.37)
Total Debt	18.38	17.04
Tangible Net worth^	29.70	21.95
EBITDA Margin (%)	7.99	(3.79)
PAT Margin (%)	3.14	(5.18)
Overall Gearing Ratio (x)	0.62	0.78

^ Unsecured loan from promoters have been treated as quasi equity.

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by IND vide press release dated Aug 3, 2020 due to non-availability of information.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	25.00	IVR BB /Stable			
2.	Letter of Credit	Short Term	9.00	IVR A4	-	-	-
3.	Bank Guarantee	Short Term	3.00	IVR A4	-	-	-
4.	Proposed Facility	Long/ Short Term	3.00	IVR BB /Stable : IVR A4	-	-	-

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 www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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.

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 Facilities –Cash Credit	-	-	-	25.00	IVR BB/Stable
Short Term Bank Facilities- Letter of Credit	-	-	-	9.00	IVR A4
Short Term Bank Facilities- Bank Guarantee	-	-	-	3.00	IVR A4
Proposed Bank Facilities	-	-	-	3.00	IVR BB/Stable; IVR A4

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Shree-krishna-lenders-22sept20.pdf>