

# Infomerics Valuation And Rating Pvt. Ltd.

Press Release

## Stark Ridge Paper Private Limited

July 29, 2019

### Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	35.00	IVR BB- / Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
<b>Total</b>	<b>35.00</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Stark Ridge Paper Private Limited (SRPPL) derive comfort from its experienced promoters, near completion stage of the project, favorable outlook for paper industry. However, the rating strengths are partially offset by its past instances of time and cost overrun in the project, modest scale of operations and highly fragmented nature of the paper industry. Timely completion of the project without any further time and cost overrun and ability to successfully scale up operations and achieve envisaged profit level and margin in a competitive operating spectrum are the key rating sensitivities.

### List of Key Rating Drivers with detailed description

#### Key Rating Strengths

##### *Experienced promoters*

The promoters of the company have long-standing business experience in trading of papers along with experience in other industries like steel and mining. However, they lack experience in paper manufacturing.

##### *Near completion stage of the project*

The project witnessed several changes in its scope and envisaged cost. However, presently, the project is at its near completion stage and is expected to achieve COD in August, 2019. Out of the total envisaged cost of Rs.76.47 crore, the company has already incurred Rs.74 crore funded out of loan of Rs.35.00 crore, equity share capital of Rs.16.20 and unsecured loans of 22.80 crore.

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### *Positive outlook for the 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. Also, changing consumer preferences towards convenient packaging solutions along with sustainability in mind will diminish the demand for plastic packaging and hence fuel the paper and paperboard industry.

### **Key Rating Weaknesses**

#### *Past instances of time and cost overrun*

Initially, the unit is expected to commence operations from July 2017. However, the project has been delayed several times due to change in its scope. Delay in project execution and change in scope resulted cost overrun. However, the increased costs were funded by the promoter in the form of unsecured loans from group companies.

#### *Modest scale of operations*

The scale of the company is likely to be small in an intensely competitive paper industry.

#### *Highly fragmented Industry*

The kraft paper industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

### **Analytical Approach: Standalone**

#### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios and Interpretation (Non-financial sector)

#### **Liquidity**

**Adequate** - SRPPL's liquidity profile seems adequate in the medium term. However, the entire cash flows depend upon the timely beginning of the commercial operation of the plant which has been delayed for a long time.

#### **About the Company**

## Infomerics Valuation And Rating Pvt. Ltd.

Kolkata based Stark Ridge Papers Private Limited (SRPPL, SRPPL erstwhile Vanachal Metals Private Limited, name changed in July, 2014) was incorporated on July 1, 2005. SRPPL is promoted by Mr. Manoj Kasera along with Mr. Saroj Patnaik and Mr. Mayadhar Mahakud. The company is setting up a plant for manufacturing of “Kraft paper” (Absorbent & Corrugated type) at East Singhbhum near Jamshedpur, Jharkhand, with a processing capacity of about 48,000 tonne per annum.

**Financials (Standalone):** Not meaningful since the company is yet to start commercial operations.

**Status of non-cooperation with previous CRA:** CRISIL has moved the rating of Stark Ridge Paper Private Limited into the issuer non- cooperation category on account of inadequate information and lack of management cooperation as per the press release dated June 21, 2018.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term Loan	Long Term	35.00	IVR BB-/Stable	-	-	-

**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](http://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. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

## Infomerics Valuation And Rating Pvt. Ltd.

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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
Term Loan	-	-	-	35.00	IVR BB-/Stable