

Press Release

19 June, 2017

Ohm Srinivasa Paper Boards Private Limited

Rating Assigned



Total Bank Facilities Rated *	Rs. 19.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 19.00 crore bank facilities of Ohm Srinivasa Paper Boards Private Limited. The outlook is '**Stable**'.

Ohm Srinivasa Paper Boards Private Limited (OSPBPL) was incorporated in 2011. Promoted by Mr. Srinivas, Mrs. Latha Srinivas, Mr. M. Krishnan and others, OSPBPL is a Tamil Nadu-based company that manufactures craft papers, duplex boards and other paper products by converting waste paper into pulp. The company, led by Mr. Shrinivas, Managing Director, utilises around 37.50 percent of its total production capacity of 120 tonnes per day. It procures raw material (waste paper) from local suppliers and caters to customers in Tamil Nadu.

Key Rating Drivers

Strengths

• Experienced management

OSPBPL was incorporated in 2011. Promoted by Mr. Shrinivas, Mrs. Latha Shrinivas, Mr. Krishnan and Mrs. Pounthai, the company is engaged in the manufacture of paper products (craft, duplex board papers and other). The company is led by Mr. Shrinivas, Managing Director who possesses more than two decades of experience in the trading of paper and paper products. The promoter has eight years of experience in the manufacturing of paper products.

• Average financial risk profile

The company has average financial risk profile marked by net worth of Rs. 7.98 crore as on 31 March, 2017 compared to Rs. 5.96 crore in the previous year. The debt-equity ratio (gearing) stood at 2.04 as on 31 March, 2017 compared to 2.18 times in the previous year. The total debt stood at Rs.16.26 crore including unsecured loan from promoters of Rs. 7.01 crore, long term loans of Rs. 4.21 crore and short term working capital of Rs. 5.04 crore. The Interest coverage ratio stood comfortable at 4.10 per cent for FY2017. The DSCR stood at 1.34 per cent in FY2017.

Weaknesses

- **Moderate scale of operations**

The company operates on a moderate scale with operating income of Rs.12.94 crore in FY2015-16 compared to Rs. 11.62 crore in FY2014-15. Further, the company achieved revenue of Rs. 29.01 crore in FY2016-17. The revenue increased due to healthy orders received during the financial year. The company is exposed to intense market competition.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCAs) of 174 days for FY2016-17 as against 332 days for FY2015-16 on account of high inventory days of 116 days in FY2016-17 (PY: 325 days). Further, the average cash credit utilisation for six months ended March 2017 stood at ~101.09 percent.

- **Profitability is susceptible to fluctuations in raw material prices**

Raw material accounts for around 70 percent of the total cost. The margins are susceptible to fluctuations in raw material prices. The operating margins declined to 16.63 percent in FY2016-17 from 31.76 percent in FY2015-16.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that OSPBPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profitability leading to improved business risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue and net cash accruals or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, OSPBPL reported profit after tax (PAT) of Rs. 2.02 crore on operating income of Rs. 29.01 crore as compared to PAT of Rs. 0.19 crore on operating income of Rs. 12.94 crore in the previous year. The net worth stood at Rs. 7.98 crore as on 31 March, 2017 against Rs. 5.96 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.04	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	8.81	SMERA B / Stable

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ABOUT SMERA

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