



Press Release

Shri Hari Krishna Papers Private Limited

19 September, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 24.00 crore bank facilities of Shri Hari Krishna Papers Private Limited. The outlook is '**Stable**'.

Shri Hari Krishna Papers Private Limited (SHKPPL), incorporated in 1981 is a Tamil Nadu-based company promoted by Mr. M. Veluswamy, Mr. V. Vivek, Mr. M. Amarnath and others. The company commenced operations in 1991 to manufacture printing and writing paper. The company has three manufacturing units located at Dindigul, Tamil Nadu with installed capacity of 41,500 metric tonnes per annum. SHKPPL has put up 3 wind mills of NEPC Micon Make at Kethanur Village, Palladam Taluk and Metrathi Village, Udumalpet taluk along with a back pressure Turbine connected to the FBC Boiler which produces around 18000 units of power per day. The power generated from wind mills and turbine takes care of around 40 per cent of power requirement. The company sells its products to newspaper publishers and traders located in Karnataka, Maharashtra, Tamil Nadu, Kerala and Gujarat. SHKPPL procures raw material (waste paper) from traders located in Karnataka, Maharashtra and Tamil Nadu. The company also imports around 10 percent of the total purchases from Switzerland.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

The company is engaged in the manufacturing of printing and writing paper, news print paper among others from waste paper since 1991. The established operational track record has helped the company maintain long standing relations with customers and suppliers. The company benefits from its experienced promoters i.e. Mr. M. Amarnath, Mr. M Veluswamy and Mr. V Vivek who collectively possess around four decades of experience in the paper manufacturing business. Further, SHKPPL is part of the GVG Group which has interests in paper manufacturing and textiles since 1985.

• Healthy financial riskprofile

The financial risk profile of the company is healthy marked by tangible networth of Rs. 44.37 crore (Provisional) as on 31 March, 2017 as against Rs.36.15 crore in the previous year. The gearing stood at 0.22 times (Provisional) as on 31 March, 2017 as against 0.52 times in the previous year. The coverage indicators are healthy with interest coverage ratio (ICR) at 5.96 times (Provisional) for FY 2017 as against 4.68 times in FY2016 and debt service coverage ratio (DSCR) stood at 2.81 times (Provisional) for FY2017 as against 1.34 times in the previous year. The total liabilities to tangible networth (TOL/TNW) stood at 0.72 times (Provisional) as on 31 March, 2017 as against 1.09 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 1.21 times (Provisional)

in FY2017 as against 0.28 times in the previous year. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

• Efficient working capital management and adequate liquidity

The company continues to efficiently manage its working capital requirement with working capital cycle days at 20 (Provisional) for FY2017 compared to 25 days in the previous year. Further, the liquidity remains adequate because of comfortable cash accruals against debt repayment obligation and absence of any debt funded capex over the medium term. The average cash credit utilisation for the last six months stood at around 60 per cent ended 31 July, 2017.

Weaknesses

• Susceptibility to volatility in raw material prices and foreign exchange rate

The margins are susceptible to volatility in raw material prices during the period under study. Significant changes in raw material prices would have an impact on the margins of the company. Further, the company imports around 10 percent of total purchases from Switzerland. Hence, the profitability is exposed to fluctuations in forex rates in the absence of adequate hedging mechanism.

• Highly fragmented and competitive industry

SHKPPL is exposed to intense competition from organised and unorganised players in the industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that SHKPPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability, or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

For FY 2016-17, SHKPPL reported profit after tax (PAT) of Rs. 8.69 crore (Provisional) on operating income of Rs. 156.03 crore (Provisional) as against PAT of Rs. 3.13 crore on operating income of Rs.138.40 crore in the previous year. The tangible networth stood at Rs. 44.37 crore (Provisional) as on 31 March, 2017 compared to Rs. 36.15 crore as on 31 March, 2016.

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

Not Applicable

Any other information

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50*	SMERA BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA BBB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2018	0.83	SMERA BBB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2018	0.11	SMERA BBB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.06	SMERA BBB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3+

*Includes Sublimit of CCBD to the extent of Rs. 3.00 crore.

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ABOUT SMERA

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