

Press Release

Shri Hari Krishna Papers Private Limited

November 19, 2018

Rating Upgraded, Assigned and Withdrawn



Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable (Upgraded from ACUITE BBB/Stable)
Long Term Rating	ACUITE A2 (Upgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating to '**ACUITE A2**' (read as **ACUITE A two**) from **ACUITE A3+** (read as **ACUITE A three plus**) to the Rs. 23.00 crore bank facilities of Shri Hari Krishna Papers Private Limited (SHKP). The outlook is '**Stable**'.

Also, Acuite has assigned short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs. 1.00 crore bank facilities of SHKP.

Further, Acuite has withdrawn long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 0.94 crore bank facilities of SHKP.

The rating revision is in view of higher than expected growth in revenues and improvement in profitability margins during FY2018 which is expected to be sustained over near to medium term. Acuite expects that SHKP will be able to exhibit improved operating metrics.

Shri Hari Krishna Papers Private Limited (SHKP), 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.

SHKP has put up 3 wind mills of NEPC Micon Make at Kethanur Village in Palladam Taluk and Metrathi Village in 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 percent of power requirement. The company sells its products to newspaper publishers and traders located in Karnataka, Maharashtra, Tamil Nadu, Kerala and Gujarat. SHKP procures raw material (waste paper) from traders located in Karnataka, Maharashtra and Tamil Nadu.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SHKP to arrive at the rating.

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 who collectively possess around four decades of experience in the paper manufacturing business. Further, SHKP is part of the GVG Group which has interests in paper manufacturing and textiles since 1985.

• Healthy financial risk profile

The financial risk profile of the company is healthy marked by tangible net worth of Rs.53.63 crore as on 31 March, 2018 as against Rs.44.15 crore in the previous year. The gearing stood at 0.18 times as on 31 March, 2018 as against 0.18 times in the previous year. The total debt of Rs.9.70 crore as on March 31, 2018 includes term loan of Rs.0.72 crore and working capital fund of Rs. 8.98 crore. The coverage indicators are healthy with interest coverage ratio (ICR) at 12.04 times in FY2018 as against 6.63 times in FY2017 and debt service coverage ratio (DSCR) stood at 3.50 times in FY2018 as against 2.93 times in the previous year. The total liabilities to tangible net worth (TOL/TNW) stood at 0.57 times as on 31 March, 2017 as against 0.73 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 1.32 times in FY2018 as against 1.19 times in the previous year.

• Improvement in revenue while maintaining its profitability

SHKP's revenue has grown at a CAGR of ~7 percent from FY2014 to FY2018. The company has achieved revenue of Rs.180.26 crore in FY2018 as against Rs.155.78 crore in the previous year. EBITDA margins stood healthy at 10.89 percent for FY2018 as against 9.36 percent for FY2017. Profit after Tax (PAT) margins stood healthy at 5.90 percent for FY2018 as against 5.62 percent for FY2017.

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

The industry is highly fragmented with several organised and unorganised players, thereby impacting the company's profitability.

Outlook: Stable

Acuite believes that SHKP 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	180.26	155.78	138.40
EBITDA	Rs. Cr.	19.62	14.58	13.66
PAT	Rs. Cr.	10.64	8.75	3.13
EBITDA Margin	(%)	10.89	9.36	9.87
PAT Margin	(%)	5.90	5.62	2.26
ROCE	(%)	25.53	17.72	17.20
Total Debt/Tangible Net Worth	Times	0.18	0.22	0.52
PBDIT/Interest	Times	12.04	6.63	4.98
Total Debt/PBDIT	Times	0.49	0.66	1.34
Gross Current Assets (Days)	Days	77	73	72

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Sep-2017	Cash Credit	Long Term	7.50*	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	0.83	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE BBB / Stable (Assigned)
	Proposed Bank Facility	Long Term	2.06	ACUITE BBB / Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Assigned)

*Includes sublimit of CCBD to the extent of Rs.3.00 Crore.

*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	7.50	ACUITE BBB+ / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB+ / Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ / Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2 (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 (Upgraded)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.83	ACUITE BBB / Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE BBB / Stable (Withdrawn)

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About Acuité Ratings & Research:

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