

Press Release

Saffron Specialty Papers Private Limited

September 25, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 14.00 crore bank facilities of Saffron Specialty Papers Private Limited. The outlook is '**Stable**'.

The Mumbai-based, SSPPL was incorporated in 2008. It is promoted by Mr. Vikash Agarwal and Mrs. Rajesh Agarwal. The company is engaged in manufacturing and trading of paper and paper products in India and abroad. SSPPL has capacity of processing 6500 MTS per annum and is currently utilising 92 percent of the capacity.

Key Rating Drivers

Strengths

- **Experienced Management:**

SSPPL is promoted by Mr. Vikas Agarwal (Managing Director) and Rajesh Agarwal (CEO) has more than a decade of experience in paper industry. The top management is also served by well experienced professionals with over 2 decades of experience.

Weaknesses

- **Competitive and fragmented industry:**

SSPPL operates in intensively competitive industry where number of organised and unorganised players compete intensely. The entry barriers are very low and any fluctuation in raw material price would limit the ability to pass on the price increase due to intense competition.

- **Below-average financial risk profile:**

Financial risk profile of SSPPL is below-average marked by significant level of working capital limit met by unsecured loans from NBFC's which increases their cost of borrowing by at least 350-400 bps. Unsecured loans from Banks and NBFC stood at Rs.7.73 crore as on 31 March, 2018 as against Rs.3.16 crore as on 31 March, 2017 with average loan tenor of 2.53 years. Current-portion of long term liability is expected to be over Rs.2.80 crore in FY2019. SSPPL has to pay its suppliers in advance along with significant jump in debtors to Rs.22.19 crore as on 31 March, 2018 vis-à-vis Rs.9.82 crore as on 31 March, 2017, yet the operating income of the SSPPL has grown by only 12 percent.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of the Saffron Specialty Papers Private Limited to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook on SSPPL will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	105.22	93.85	59.03
EBITDA	Rs. Cr.	2.96	2.79	1.67
PAT	Rs. Cr.	1.44	0.34	0.21
EBITDA Margin	(%)	2.81	2.98	2.82
PAT Margin	(%)	1.37	0.36	0.36
ROCE	(%)	7.68	9.59	7.54
Total Debt/Tangible Net Worth	Times	1.04	0.76	1.25
PBDIT/Interest	Times	2.74	1.46	1.56
Total Debt/PBDIT	Times	6.52	4.36	7.16
Gross Current Assets (Days)	Days	140	101	155

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

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	6.50	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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