



SMERA RATINGS LIMITED

Shree Rajeshwaranand Paper Mills Limited (SRPML)

*Rating
Rationale*

December 31, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	19.00	SMERA BB+/Stable (Reaffirmed)
Term Loans	4.00	SMERA BB+/Stable (Reaffirmed)
Corporate Loans	7.75	SMERA BB+/Stable (Reaffirmed)
Bank Guarantee	1.30	SMERA A4+ (Reaffirmed)
Inland/Foreign Letter of Credit	4.00	SMERA A4+ (Reaffirmed)
Credit Exposure on Forward Contract	0.50	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the abovementioned bank facilities of Shree Rajeshwaranand Paper Mills Limited (SRPML). The outlook is '**Stable**'. SMERA's rating view is based on publicly available information as the company has not shared any information with SMERA.

The ratings are supported by the company's long track record of operations, experienced management and reputed clientele. The ratings also draw comfort from the strategic location of the company's manufacturing unit. However, the ratings are constrained by the company's working capital-intensive operations. The ratings factor in the commissioning risks inherent in the company's capacity expansion project.

Update

SRPML reported net profit of Rs.1.74 crore on revenue of Rs.82.40 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with net profit of Rs.1.44 crore on revenue of Rs.66.16 crore in the previous year. The company has completed its capacity expansion project and the paper manufacturing capacity now stands at 100 MTPD (metric tonnes per day).

SRPML plans to diversify into manufacturing of abrasive tools. The company has incurred capital expenditure of Rs.2.50 crore (against total planned capex of ~Rs.22.10 crore) towards the diversification project which is expected to be completed by March 2015.

SRPML's total debt increased from Rs.36.16 crore as on March 31, 2013 to Rs.50.76 crore as on March 31, 2014 on account of debt-funded capital expenditure. The company's gearing (debt-equity ratio) increased to 2.36 times as on March 31, 2014 from 1.83 times a year earlier. Timely completion of the ongoing diversification project and subsequent cash flow generation is a key rating sensitivity. SRPML's working capital cycle is stretched at 155 days in FY2013-14.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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SRPML's long-term rating has a 'Stable' outlook. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile on account of delays in project completion.

About the company

SRPML, incorporated in 1991, is a Gujarat-based company engaged in production of newsprint, writing paper and printing paper (45 gsm to 47 gsm). SRPML has a factory unit in Bharuch (Gujarat), with installed capacity of 100 MTPD.

SRPML registered revenues of Rs.55.40 crore and profit before tax of Rs.0.57 crore during April 2014 to September 2014.

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