



Rating Rationale

15 May 2019

Siddheshwari Paper Udyog Private Limited (erstwhile Siddheshwari Paper Udyog Ltd)

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 70.00 Crs of Siddheshwari Paper Udyog Private Limited (erstwhile Siddheshwari Paper Udyog Ltd).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May 2018)	Present
Fund based Cash Credit Term Loan	28.00 37.61	28.00 37.75	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmation
Non Fund Based BG/ILC/FLC	4.25	4.25	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmation
Total	69.86	70.00	INR Seventy Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY18, projections of FY19 and FY20, publicly available information/clarifications provided by the management/company.

The ratings draw comfort from long operational track record & well experienced promoters, expected improvement in turnover, moderate gearing and operating margins. The ratings however, are constrained



by below average debt protection metrics, working capital intensive operations and regulatory changes posing threat to the industry.

Going forward, improvement in scale of operations, debt protection metrics, conversion cycle and overall financial risk profile will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Long operational track record & well experienced promoters:** SPUPL is the flagship company of the Sidharth group whose promoters run three other companies in the paper industry. SPUPL has an operational track record of more than two decades in the paper industry.
- **Improvement in turnover :** During FY18, the entity achieved total operating income of Rs 104.46 Crs. As per provisional figures provided, it has achieved total operating income of Rs 165.00 Crs. (provisional) in FY19.
- **Moderate Gearing and Operating Margins:** SPUPL's overall gearing (TOL/TNW) stood at moderate level of 1.87X as at 31.03.2018. Company's operating margin also remained at a moderate level of 15.29% during FY18.

Credit Risks:

- **Below average Debt protection metrics:** During FY18, Debt protection metrics such as DSCR stood at 0.95X due to high repayment of Rs 9.23 Crs during FY18. With reduced repayment commitment and no capex plan, it is expected to improve in the near future.
- **Working capital intensive operation:** During FY18, with marginal improvement in conversion cycle of SPUPL remained elongated at 119 Days as against 121 Days for FY17 which further suggests working capital intensive operation of the company.
- **Regulatory changes posing threat to the industry:** The production of paper emits various pollutants as a part of manufacturing process. This has been a cause of concern and the pollution control boards and NGT are introducing stricter norms day after day to contain the level of pollution caused by this industry.



Liquidity

During the last six months CC utilization remained 80 to 85% and unutilized limit provides cushion for any adverse issue in liquidity to an extent. Current ratio as on 31.03.2018 stood at 1.23X which is considered to be at a moderate level. Further, Elongated conversion Cycle of 119 Days shows working capital intensive nature of the operations.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Siddheshwari Paper Udyog Private Limited (erstwhile Siddheshwari Paper Udyog Ltd)** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Siddheshwari Paper Udyog Private Limited (SPUPL) was incorporated in 1990 as a Private Limited company and is based in Kashipur, Uttarakhand. SPUPL is a part of “Sidharth group of Industries” having established market presence in North India. Sidharth group is engaged in the manufacturing of different grades of paper such as kraft & duplex board paper. SPUPL was earlier engaged in manufacturing of Kraft Paper from agriculture waste with an installed capacity of 33000 MTPA. However, in FY18 the company has modified its product line and has started manufacturing Duplex board paper with an enhanced capacity of producing 40000 MTPA of paper. During FY19 it further increased to 48000 MTPA.

Company Financial Performance

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Total Operating Revenue	Rs Crores	97.57	104.46
EBITDA	Rs Crores	13.30	15.97
PAT	Rs Crores	1.14	1.19

Tangible Net worth	Rs Crores	41.90	42.70
TOL/TNW	Times	1.41	1.87
Current Ratio	Times	1.36	1.23

Rating History for the last three years

Instrument /Facility	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Crs)	Rating	2018	2017	2016
Fund Based Cash Credit Term Loan	Long Term	28.00 37.75	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmation	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
Non Fund Based BG/ILC/FLC	Short Term	4.25	BWR A3 (Pronounced as BWR A Three) Reaffirmation	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three)
Total		70.00	₹ Seventy Crores Only			

Status of non-cooperation with previous CRA (if applicable)-None

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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