for Informed Investment Decisions

Rating Rationale

Brickwork Ratings reaffirms 'BWR B' & BWR A4' for Bank Credit Facilities aggregating ₹ 202.79 Cr of Sri Vinayaka Paper and Boards Ltd-Hyderabad.

Brickwork Ratings has reaffirmed the **Ratings**[1] for Bank Credit Facilities aggregating ₹ 202.79 Cr of Sri Vinayaka Paper and Boards Ltd-Hyderabad *("SVPBL" or "the Company")* as per details given below:

Facility	Previous Limits (₹ Cr)	Existing Limits (₹ Cr)	Tenure	Reaffirmed Ratings
Fund Based limits				
Term Loans	**114.27**	**137.79**	**Long Term**	**BWR B** (Pronounced BWR B) **(Outlook : Stable)**
Cash Credit	**9.00**	**50.00**		
Non Fund Based				
Letter of Credit*	**5.00**	**15.00**	**Short Term**	**BWR A4** (Pronounced A four)
Total	**128.27**	**202.79**	**(INR Two Hundred Two Crores and Seventy Nine Lakhs only)**	

The rating, inter alia takes into consideration promoters commitment towards expansion of paper and power project by infusion of fund and the Industry situation. The Company's expansion project is almost at completion stage and will increase the capacity of paper plant from 50TPD to 200TPD and the new integrated captive power plant of 12MW at an outlay of ₹ 277 Crs, is likely to be operational by October,2014. However, the rating, inter alia, is constrained by volatility in raw material prices mainly waste paper, competition from large size paper manufacturing companies, cost overrun due to project delays and the consequent high interest burden on enhanced term loans.

Background

Sri Vinayaka Paper and Boards Ltd (SVPBL), established in 1995, had taken over a running paper mill in Rajahmundry -Andhra Pradesh, and are running the same profitably since then. SVPBL is engaged in manufacturing of newsprint, writing and printing paper and speciality grade paper. The current installed capacity of the mill is 50TPD, and is operating at ~80-85% of the installed capacity.

Board and Management

The Company's Board is headed by Mr Debabrata Kantha and consists of two other Directors .

[1] ***Please refer to*** [***www.brickworkratings.com***](http://www.brickworkratings.com) ***for definition of the Ratings***

Name	Qualification	Age years	Experience years	Shareholding% as on 31st March,2014.	Designation
Debabrata Kantha	Retd. IAS 1987 batch	48	23	9.02	**Chairman & Managing Director**
G V Krishna Reddy	Master in Arts	42	24	2.20	**Director**
P Kiranmai	Graduate	52	22	3.48	**Director**

<u>Operations</u>

Sri Vinayaka Paper and Boards Ltd sources raw material from local traders for waste paper and virgin pulp requirements For its writing, newsprint and printing paper, the Company sells its output through a network of dealers located across the states of Orissa, West Bengal, Tamil Nadu, Gujarat, Jharkhand and Andhra Pradesh. Currently the sales of nearly 90% of the production are within a 400km – 1000km radius (across the states of Orissa, West Bengal, Tamil Nadu, Jharkhand and Andhra Pradesh).

<u>Project Status</u>

The company currently is in advance stage of completion of major expansion plans which it had conceived in early 2011. It is adding to their existing paper manufacturing capacity of 50TPD to increase it to 200TPD and setting up new integrated power plant of 12MW, which will be using Coal & Bio mass products like rice husk, wood chips etc for generation of power. The captive Power plant is being set up to ensure uninterrupted power supply for production in future as currently the supply from power grid is erratic.

The outlay for the expansion project cost as well as the new power project is ₹ 277 crores, which also includes cost escalation due to elongated delay of more than a year in execution of project. Commercial production from the expansion is expected to start around October, 2014 . Marketing of higher volumes due to added capacity will not be a challenge as company already has established its presence in the market with good dealership network

The Company has borrowed till now ₹ 140 Crs from banks with Union Bank of India as a lead Bank. The balance amount is being funded from internal accruals and promoters infusing fund in the form equity contribution and unsecured loans thus bringing promoters contribution ~33 percent of the cost of project. The Banks have classified Company's account as Standard. There have been a few instances of small delays in servicing interest payment on the said Term loans. The instalments against the Term loans will become due from 4th quarter of FY15.

Financials

Revenues increased to ₹ 71.33 Cr in FY13 from ₹ 65.43.Cr. in FY12 which was majorly due to increase in sales volumes. Operating profit declined to ₹ 4.09 crs in FY13 from ₹ 4.19Cr in FY12 which was mainly due to rise in input costs , PAT improved marginally to ₹.0.24 crs in FY13 from ₹0.21Cr in FY12 . The company's total debt was ₹143.36. crs in FY13 as against ₹105.54 crs inFY12.Tangible Net worth of the company stood at ₹ 62.76 crs in FY13 as against ₹ 44.63 crs in Fy 12.. During FY13 promoters infused total funds of ₹24.43 crs both as Equity Rs 17.89 Crs and unsecured loans of Rs 6.54 Crs.

Rating Outlook

The rating has factored the Company's expansion plans to their existing capacity and adding new power plant, promoter's ability to infuse capital for expansion and current favourable market for writing paper. However, the Rating is constrained by considerable delays in execution of the projects resulting in increase in pre-operative expenses. Ability of the company to commence commercial operation from October, 2014 and to repay debt obligations on time will be the key rating sensitivities

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