

Rating Rationale

Shree Rajeshwarand Paper Mills Limited

11-April-19

Brickwork Ratings revises the long term ratings for the Bank Loan Facilities of ₹. 50.40 Crores and reaffirms the short term ratings for Bank loan facilities of ₹. 10.24 Crores of Shree Rajeshwarand Paper Mills Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (August,2018)	Present
Fund based	51.97	50.40	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Issuer Non Cooperation Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Downgraded
Non Fund Based	9.55	10.24	Short Term	BWR A4 (Pronounced as BWR A Four) Issuer Non Cooperation	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	61.52	60.64	INR Sixty Crores and Sixty Four Lakhs Only		

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

Ratings: Long Term Rating Downgraded and Short Term Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results upto FY18, provisional financial results of 9MFY19, publicly available information and information/clarifications provided by the company's management.

The assigned ratings derives comfort from promoter's experience in the business, strategic location near the port area, improving operating margins and moderate liquidity position. The rating is, however, constrained by high gearing level, promoters, low net profit margins and high conversion cycle. The rating also takes into account delays observed in repayment of dues.



Going forward, the ability of the company to achieve the projections, to improve its overall financial risk profile and to timely servicing of debts would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Experience and committed management with an established network of clientele in the paper division
- Company has a unique locational advantage due to its proximity to port
- Operating margins have improved from 11.40% in FY17 to 14.54% in FY18
- ISCR has improved from 1.70x to 1.83x in FY18 on account of better operating profits.
- Liquidity position is moderate at the current ratio is at 1.17 times in FY18

Credit Risks:

- Vulnerability to raw material prices
- Delays observed in servicing payments.
- Cyclical nature of paper industry
- Intense competition in Tools and Paper divisions
- The company has low NPM at 0.07% in FY18
- Gearing is high with Total Debt/TNW at 2.13 times and TOL/TNW at 3.09 times in FY18 due to presence of other loans from financial institutions.
- Conversion cycle is high at 170 days due to delayed payment received from debtors at around 153 days

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 **Shree Rajeshwarand Paper Mills Limited** 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

Shree Rajeshwarand Paper Mills is a public limited Company located at Village - Govali, Taluka - Jhagadia, District - Bharuch, Gujarat. The Company was incorporated on 20th March, 1991. The Company is involved in the business of manufacturing of newsprint paper and abrasive tools. The Company also function a tools division thereby producing Resin Bonded Wheels, Core Drills, Hydrometallurgy Powder and other hardware products.

Company Financial Performance

The company has observed a marginal decline in revenues. The company has booked gross revenue of Rs

112.36 crs in FY 18 as against Rs 119.38 crs in FY17. The company has achieved a sales of Rs 130 crs till February 2019. EBITDA margins have significantly improved from 11.40% in FY17 to 14.54% in FY18.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	07, August 2018	03, March 2017	07, Jan 2016
1	Fund Based	Long Term	50.40	BWR BB (Pronounced as BWR Double B) Outlook: Stable Downgraded	BWR BB+ (Pronounced as BWR Double B Plus) Issuer Non Cooperation Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
2	Non Fund Based	Short Term	10.24	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four) Issuer Non Cooperation	BWR A4 (Pronounced as BWR A Four)	BWR A3 (Pronounced as BWR A Three)
	Total		60.64	₹ Sixty Crores and Sixty Four Lakhs Only			

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

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Gross Revenue	₹ Cr	112.36	119.38
EBITDA	₹ Cr	16.33	13.76
PAT	₹ Cr	0.08	2.51
Tangible Net worth	₹ Cr	29.57	29.42
Total Debt/Tangible Net worth	Times	2.13	1.97
Current Ratio	Times	1.17	1.17

Hyperlink/Reference to applicable Criteria

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