

September 04, 2014

CARE ASSIGNS 'CARE BBB/CARE A3+' RATINGS TO THE BANK FACILITIES OF K R PULP & PAPERS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	209.37	CARE BBB (Triple B)	Assigned
Short term Bank Facilities	27.50	CARE A3+ (A Three Plus)	Assigned
Total Facilities	236.87		

Rating Rationale

The ratings assigned to the bank facilities of K R Pulp & Papers Limited derive strength from the experienced & resourceful promoters, well-established marketing & distribution network and cost effective production setup with integrated operations. The ratings favorably take into account the improving operational performance and moderate financial risk profile with comfortable debt protection indicators. The ratings are, however, constrained by working capital intensive nature of operations, susceptibility of profitability to volatile raw material prices, cyclical nature of industry and high competition.

Going forward, the ability of the company to increase the scale of operations, effective management of working capital requirements while improving its capital structure and improve profitability margins amidst volatile raw material prices would be the key rating sensitivities.

Background

K R Pulp & Papers Limited (KRPL), a closely-held limited company, was incorporated in 1995 by Mr Madho Gopal Agarwal along with his two brothers, Mr Raj Gopal Agarwal and Shri Gopal Agarwal. KRPL is engaged in the manufacturing Kraft Paper (KP), absorbent kraft paper, writing and printing paper (WPP) from agro-residue raw material like bagasse, wheat straw, etc. The company also sells soda ash which is manufactured from its recovery plant. The manufacturing plant is located at Shahjahanpur, Uttar Pradesh with licensed capacity for KP and WPP stood at 40,000 MTPA and 80,000 MTPA respectively as on March 31, 2014. In addition, the licensed capacity for soda ash plant stood at 18,000 MTPA along with 15 MW captive co-generation power plant.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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