Shree Rama Newsprint Limited

April 07, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	102.16	**CARE D (Single D)**	**Revised from CARE BB (CWD) (Double B) (Under Credit watch with Developing Implications)**
Long Term/ Short Term Bank Facilities	2.00	**CARE D/ CARE D (Single D/ Single D)**	**Revised from CARE BB/ CARE A4 (CWD) (Double B/ A Four) (Under Credit watch with Developing Implications)**
Total Bank Facilities	**104.16 (Rs. One Hundred Four Crore and Sixteen Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Shree Rama Newsprint Limited (SRNL) factor in default in debt servicing of term loans which was due on March 31, 2022. During due diligence with lenders of SRNL, it was informed that the company has not paid the term loan installment and interest thereon due on March 31, 2022. As informed by the company management the default is merely on account of legal restriction arising out of The Honourable National Company Law Tribunal (NCLT), Ahmedabad order under Insolvency and Bankruptcy Code (IBC), 2016.

NCLT vide its order dated March 16, 2022 admitted an application filed by operational creditor under IBC for initiation of Corporate Insolvency Resolution Process (CIRP) against the company and has also appointed Interim Resolution Professional (IRP). Subsequently, the operations of the company are being managed by IRP. Further, one of suspended director has appealed to National Company Law Appellate Tribunal (NCLAT) against the order passed by NCLT. NCLAT vide its order dated March 23, 2022 has stayed constitution of Committee of Creditors (COC) subject to depositing entire amount of Rs.2.55 crore which has been deposited by appellant by demand draft amounting to Rs.2.55 crore drawn in favour of 'The pay and account officer, Ministry of corporate affair, New Delhi' on March 25, 2022 as directed by the NCLAT. The NCLAT appeal hearing is scheduled on April 12, 2022.

Rating Sensitivities

Positive Factors – Factors that could lead to positive rating action/upgrade:

- Establishing a track record of timely servicing of debt obligations for a period of at least 90 days

Detailed description of the key rating drivers

Key Rating Weaknesses

Default in debt servicing

Debt servicing of SRNL is irregular as reflected by default in debt servicing of term loans as informed by the lender.

Liquidity: Stretched

The liquidity of SRNL remains stretched due to cash loss incurred during FY21 and 9MFY22 resulting into high reliance on support from its parent, RSGBL coupled with high reliance on working capital borrowings. Liquidity of the company is largely supported by timely need-based support in the form of unsecured loans from its parent, RSGBL which is being utilised to support the overall operation and debt servicing of the company. The average fund based working capital limit utilization remained at 78% for the trailing 12 months ended February 2022.

Analytical Approach: CARE has considered the standalone financials of SRNL along with expected need-based support from its parent, RSGBL.

Applicable Criteria

CARE's Policy on Default Recognition
CARE's Policy on Curing Period
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology: Notching by factoring linkages in Ratings
CARE's methodology for manufacturing companies
Liquidity Analysis of Non-Financial Sector Entities

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

About the Company
Incorporated in 1994, SRNL was initially promoted by Mr. Vashu Ram Singhani. Subsequently, in the year 2003, West Coast Paper Mills Limited (WCPM) along with its promoters acquired the majority stake in SRNL. However, during FY16, RSGBL acquired the majority stake from WCPM and its promoters.
SRNL is engaged in manufacturing of Newsprint paper, WPP and kraft paper. SRNL has a captive coal-based power plant which has power generation capacity of 23 MW. With its plant located near the industrial belt of Hazira (in the Surat district of Gujarat); SRNL has access to most of the major newspaper publishers in the Northern, Western and Southern states of the country. As on September 30, 2021, SRNL had an aggregate installed capacity of 132,000-1,50,000 Metric Tonnes Per Annum (MTPA) depending on production of newsprint paper, WPP and kraft paper. Considering the present very high input costs without corresponding increase in prices of newsprint and WPP, the company has decided to close the paper operations temporarily and announced lay-off of its employees under paper division since December 18, 2021.
Moreover, SRNL has also started production of packaged drinking water bottle of "clear" brand from July 2019 having installed capacity of 32,000 BPH (bottle per hour) funded through unsecured loans from RSGBL. SRNL is outsourcing for 'Clear' brand for 200ml and 500ml of water bottle. SRNL sells water bottle to established and reputed customers of "Clear" brand such as Air India, Marriott etc. The revenue contribution from the packaged water bottle remains low in overall revenue of the company.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total operating income	336.60	266.45	300.13
PBILDT	8.80	(14.56)	(9.41)
PAT	(44.64)	(76.97)	(62.15)
Overall gearing (times)	0.97	1.36	NA
Interest coverage (times)	0.32	-ve	-ve

A: Audited; UA: Un-audited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Not Applicable

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	58.14	CARE D
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	2.00	CARE D/ CARE D
Fund-based - LT-Term Loan	-	-	-	June 2025	44.02	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	58.14	CARE D	-	1)CARE BB (CWD) (24-Mar-22)	1)CARE BB+; Stable (02-Mar-21) 2)CARE BB+ (CWD) (18-Nov-20)	1)CARE BB+; Stable (21-Feb-20)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	2.00	CARE D/ CARE D	-	1)CARE BB / CARE A4 (CWD) (24-Mar-22)	1)CARE BB+; Stable / CARE A4+ (02-Mar-21) 2)CARE BB+ / CARE A4+ (CWD) (18-Nov-20)	1)CARE BB+; Stable / CARE A4+ (21-Feb-20)
3	Fund-based - LT-Term Loan	LT	44.02	CARE D	-	1)CARE BB (CWD) (24-Mar-22)	1)CARE BB+; Stable (02-Mar-21) 2)CARE BB+ (CWD) (18-Nov-20)	1)CARE BB+; Stable (21-Feb-20)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (24-Mar-22)	1)CARE BBB- (CE); Stable (02-Mar-21) 2)CARE BBB- (CE) (CWD) (18-Nov-20)	1)CARE BBB (CE); Negative (21-Feb-20)

** Long Term / Short Term; CWD – Credit Watch with Developing Implication*

Annexure 3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 4: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here]

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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