

## Star Paper Mills Limited

January 10, 2023

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	19.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category; Stable outlook assigned
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>29.00</b> <b>(₹ Twenty-Nine Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

#### Detailed rationale and key rating drivers

CARE had, vide its press release dated June 17, 2019, placed the rating(s) of Star Paper Mills Limited (SPML) under the 'issuer non-cooperating' category as SPML had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. SPML continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated September 05, 2022 and September 25, 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

#### Detailed description of the key rating drivers

At the time of last rating on October 20, 2021, the following were the rating strengths and weaknesses (updated for the information available from Stock exchange).

#### Key rating weaknesses

##### **Volatility in raw material prices**

Raw material is the single largest cost of paper manufacturers. The supply of wood to domestic paper industry from natural forest resources is restricted by strict government regulations and causes raw material availability issues. Though the company is increasing its emphasis on development and plantation of clonal saplings, dependence of external wood/ bamboo supplies is still high, thereby exposing the company to the risk of raw material availability and volatility in raw material prices.

##### **Exposure to group companies**

As on March 31, 2022, the net exposure of SPML to its associate company (ISG Traders Ltd) was at Rs.19.02 crore. The exposure accounted for 3.56% of the total net worth as on March 31, 2022.

#### Key rating strengths

##### **Long track record of operations of the company**

The "Duncans" brand dates back to 1860s when a Scottish businessman, Walter Duncans, set up tea business in India. Goenka family took-over the business in early 1950s. Shri G.P. Goenka has been spearheading the business since 1979. He is currently supported by his son Shri S. V. Goenka in managing day-to-day operations of the group, who also has an experience of over a decade. The group took the management and control of Star Paper Mills in 1986 thereby having a track record of around three decades in the paper industry.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Diversified products with established client base

SPML manufactures different types of paper and paper products catering to different segments of the market. Furthermore, the company is one of the largest manufacturers in the Absorbent Kraft and Virgin Kraft segment and also enjoys a leading market share.

### Reduced dependence on grid power, with reduction in fuel price and usage of pet coke

Paper industry is power intensive, with power cost accounting for ~22% of the total sales in FY21 and FY22. The company's operation requires around 13 MW of power (as per the data shared in FY16). The company has two captive power plants of 5 MW each (one diesel based and other coal based). With decline in diesel prices coupled with usage of pet coke in place of coal, has led to reduction in the power cost of SPML in FY16 vis-à-vis FY15. Accordingly, power consumption from own generation increased from 48% in FY15 to 90% in FY16. Hence for sourcing the balance power (10%), the company is dependent on the grid which costs around Rs.8.50 per unit (Rs.8.15/unit in FY15).

### Comfortable leverage parameters

Overall gearing ratio of the company stood at 0.02x as on March 31, 2022. The comfortable leverage position is due to low debts and healthy net-worth position of the company.

### Satisfactory financial performance

In FY22, total operating income of SPML improved to Rs. 330.54 crore as compared to Rs. 233.37 crore in FY21. PBILDT margin of the company, also improved from 9.11% in FY21 to 9.68% in FY22 due to recovery in demand situation post pandemic.

### Analytical approach

Standalone

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

### About the company

Incorporated in 1936, SPML is an integrated pulp and paper mill, the management and control of which was taken over by Duncan Goenka Group in the year 1986. The company produces a wide range of industrial, packaging and cultural papers catering to almost all segments of the market. The company sells its paper under 'Star Brand' with a distribution network throughout the country besides exporting products to neighboring countries. The Duncan Goenka group is headed by Shri G. P. Goenka who is currently supported by his son Shri S. V. Goenka. The group has interest across diverse business segments like paper, engineering, ply, tea, etc.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	233.44	330.54	253.53
PBILDT	21.27	32.00	NA
PAT	17.52	36.65	36.48
Overall gearing (times)	0.02	0.02	NA
Interest coverage (times)	36.69	67.58	NA

A: Audited, UA: Unaudited; NA: Not Available

**Status of non-cooperation with previous CRA:** India Ratings has conducted the review based on the basis of best available information and has classified SPML as "Non-cooperating" vide its Press Release dated July 28, 2022.

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	19.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	19.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; ISSUER NOT COOPERATING* (20-Oct-21)	1)CARE BB; ISSUER NOT COOPERATING* (13-Aug-20)	1)CARE BB+; ISSUER NOT COOPERATING* (17-Jun-19)
2	Non-fund-based - ST-BG/LC	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (20-Oct-21)	1)CARE A4; ISSUER NOT COOPERATING* (13-Aug-20)	1)CARE A4+; ISSUER NOT COOPERATING* (17-Jun-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: 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 instruments:** CARE Ratings 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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