

Shree Rama Newsprint Limited

April 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.63 (Reduced from 93.26)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	2.00	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Shree Rama Newsprint Limited (SRNL) continue to remain constrained due to its modest scale of operations from packaged drinking water bottling division with continued losses at PAT level post closure of loss-making paper division, high debt levels and weak debt coverage indicators.

The ratings of SRNL, however, continue to derive strength from its experienced and resourceful parent Riddhi Siddhi Gluco Biols Limited (RSGBL) which has extended need based financial support and strategic location of plant with availability of large land parcel and captive power plant.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Improvement in scale of operations with PBILDT margin over 10% on sustained basis
- PBILDT interest coverage ratio more than 1.25 times on a sustained basis

Negative Factors

- Change in RSGBL's management's stance to support the operations of SRNL and/or deterioration in the credit profile of RSGBL
- Further deterioration in the debt coverage indicators of the company

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

Outlook: Stable

The "Stable" outlook reflects CARE Ratings Ltd.'s expectation that the company shall continue to benefit from its resourceful parent and established operations of its bottling plant which shall enable the company to sustain its performance over medium term.

Detailed description of the key rating drivers:

Key weaknesses

Small scale of operations of its packaged drinking water bottle plant with moderate profitability

SRNL had commissioned its integrated packaged drinking water bottle plant in July 2019 having installed capacity of 32,000 BPH (bottle per hour) funded through unsecured loans from RSGBL. SRNL is engaged in co-packing of water bottles for established and reputed customers of "Clear" brand. Packaged water bottle of 200 ml formed 58% of total volume and remaining was contributed by 500 ml and 1 litre bottles. Further, the plastic material used by SRNL in manufacturing the plastic bottles is of bio-degradable grade and hence serves as a premium segment class quality. The revenue contribution from the packaged water bottle improved but remained low marked by total operating income (TOI) of Rs. 46.70 crore in FY23 as compared to Rs.31.86 crore in FY22. Further, PBILDT margin remained largely stable at 9.53% in FY23 (8.94% in FY22) for this division. The company reported TOI of Rs. 34.04 crore with PBILDT margin of 14.51% during 9MFY24.

Losses from discontinued operations due to shutting down of paper division

SRNL's paper plant's capacity remained optimally utilized till FY19. However, it started declining in FY20 and with adverse impact of Covid-19 pandemic along with temporary closer of paper division during Q2FY21 (from August 08, 2020 to October 02, 2020) on the back of closer order issued by Gujarat Pollution Control Board (GPCB), company incurred losses in paper division. Despite

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

capex and other efforts, company continue to incur losses under its paper operations due to high input prices mainly waste paper prices and coal rates without corresponding increase in prices of newsprint and writing & printing paper (WPP). The company subsequently decided to close the paper operations and announced lay-off of its employees under paper division in December 2021. Hence, the non-current assets including plant and machineries along with other assets associated with the paper division are considered as held for sale / discontinued operations. These assets amounted to Rs. 236.67 crore against which the liabilities associated was Rs. 115.75 crore as on March 31, 2023.

During FY23, SRNL incurred losses from discontinued operations amounting to Rs. 120.11 crore out of which Rs.99.84 crore pertained to impairment losses on plant and machinery. During 9MFY24, it further reported losses from discontinued operations of Rs.7.51 crore pertaining to the interest on zero coupon debentures.

High debt levels result in leverage capital structure and weak debt coverage indicators

During FY23 end, the company issued Non-Convertible Cumulative Non-Participating Redeemable Preference Shares (NCRPS) of Rs.350 crore to Riddhi Siddhi Gluco Biols Limited (Holding Company). Despite no term debt obligations in the continuing operations, the total debt remained high at Rs.361 crore as on March 31, 2023, out of which Rs. 350 crore pertained to preference shares issued to its parent, RSGBL and Rs. 11 crore (Rs. 18.89 crore as on December 31, 2023) were in the form of unsecured loans from promoters and third parties. As per management discussion, the dividend on NCRPS would be cumulative in nature but would be payable only when the company reports sufficient profits for repayment. Debt coverage indicators remained weak marked by PBILDT interest coverage of 0.18x as on December 31, 2023.

Apart from this, the company has term debt outstanding of Rs. 24.89 crore and debentures of Rs. 58.45 crore as on December 31, 2023 pertaining to the discontinued operations, the repayment of which shall be made from assets held for sale of discontinued operations (i.e paper division) and if required, by way of infusion of unsecured loans from parent, RSBGL.

Key strengths

Experienced and resourceful parent

Mr Ganpatraj Chowdhary, is the Chairman of SRNL and his son, Mr Siddharth Chowdhary, who possesses more than a decade long experience is managing various businesses, looks after the overall operations of the company. The Chowdhary family has rich experience in corn and corn product industry through a venture namely RSGBL which was promoted by Mr Ganpatraj along with other family members in 1994 for manufacturing of starch and starch derivatives. RSGBL on standalone level generates wind energy, trades in agricultural commodities and is engaged in investment activities.

On Standalone level, RSGBL had liquid investment of around Rs.252.17 crore (including investment in PE funds) as on December 31, 2023 vis-à-vis its total debt obligation of Rs.64.71 crore. Apart from the available liquid investment, RSGBL has also extended short term Inter-corporate deposits (ICDs) to various parties. RSGBL further derives financial flexibility by virtue of its comfortable standalone leverage marked by overall gearing of 0.05 times as on March 31, 2023.

Demonstrated support from RSGBL, the parent of SRNL

RSGBL, promoter of SRNL, has gradually increased its equity stake in SRNL over the period of last few years. As on December 31, 2023, RSGBL held 74.76% equity stake in SRNL. Apart from equity investment, RSGBL has also extended funds in the form of preference shares/ unsecured loans of Rs.376.29 crore as on December 31, 2023 (Rs. 358.25 crore as on December 31, 2022).

Liquidity: Stretched

The liquidity of SRNL remained stretched due to low cash profit from continuing operations and high reliance on support from its parent, RSGBL for overall operations and debt servicing. Cash and Bank balance remained very low at Rs. 0.06 crore as on March 31, 2023 as well as on December 31, 2023. However, during 9MFY24, the company generated gross cash accruals of Rs. 4.94 crore from its continuing operations.

The repayment of term loan and debentures pertaining to the discontinued operations would be funded from sale of assets from discontinued operations and if required, infusion of funds from parent, as communicated by the management. The company has reduced all working capital borrowings and remained nil utilization except overdraft facility as on December 31, 2023 as the company shut down its paper division.

Applicable criteria

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Factoring Linkages Parent Sub JV Group](#)
- [Rating Outlook and Rating Watch](#)
- [Manufacturing Companies](#)
- [Financial Ratios – Non financial Sector](#)
- [Short Term Instruments](#)
- [Withdrawal Policy](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plastic Products - Consumer

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, RSGlobal acquired the majority stake from WCPM and its promoters.

SRNL is engaged in production of packaged drinking water bottle of "clear" brand from July 2019 having installed capacity of 32,000 BPH (bottle per hour). SRNL sells water bottle to established and reputed customers of "Clear" brand. The paper division was discontinued in FY23. Further, SRNL has a captive coal-based power plant which has power generation capacity of 23 MW.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	31.86	46.70	34.04
PBILDT	2.85	4.45	4.94
PAT	-69.74	-118.08	-33.12
Overall gearing (times)	1.86	2.57	3.44
Interest coverage (times)	NR	NR	0.18

A: Audited; UA: Unaudited; NR: Not Relevant; Note: the above results are latest financial results available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure- 4

Lender details: Annexure-5

Annexure 1: Details of Instrument/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-Term Loan		-	-	March 2026	24.89	CARE BB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	20.74	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	2.00	CARE BB; Stable / CARE A4

Annexure 2: Rating History of 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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (24-Mar-22)	1)CARE BBB-(CE); Stable (02-Mar-21) 2)CARE BBB-(CE) (CW with Developing Implications) (18-Nov-20)
2	Fund-based - LT-Working Capital Limits	LT	20.74	CARE BB; Stable	1)CARE BB; Stable (06-Apr-23)	1)CARE BB; Stable (21-Apr-22) 2)CARE D (07-Apr-22)	1)CARE BB (CW with Developing Implications) (24-Mar-22)	1)CARE BB+; Stable (02-Mar-21) 2)CARE BB+ (CW with Developing Implications) (18-Nov-20)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ ST*	2.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Apr-23)	1)CARE BB; Stable / CARE A4 (21-Apr-22) 2)CARE D / CARE D (07-Apr-22)	1)CARE BB / CARE A4 (CW with Developing Implications) (24-Mar-22)	1)CARE BB+; Stable / CARE A4+ (02-Mar-21) 2)CARE BB+ / CARE A4+ (CW with Developing Implications) (18-Nov-20)
4	Fund-based - LT-Term Loan	LT	24.89	CARE BB; Stable	1)CARE BB; Stable (06-Apr-23)	1)CARE BB; Stable (21-Apr-22) 2)CARE D (07-Apr-22)	1)CARE BB (CW with Developing Implications) (24-Mar-22)	1)CARE BB+; Stable (02-Mar-21) 2)CARE BB+ (CW with Developing Implications) (18-Nov-20)

* Long Term / Short Term

Annexure -3: Detailed explanation of covenants of the rated instrument/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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Note on the 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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About us:

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