Sunmarc Paper Industry Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	174.44	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	5.56	CARE BB; Stable / CARE A4	Assigned
Short Term Bank Facilities	10.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the long-term and short-term bank facilities of Sunmarc Paper Industries Private Limited (SPIPL) are tempered on account of nascent stage of operations coupled with susceptibility of margins to volatile input prices and leveraged capital structure. The ratings also factor in the company's presence in a highly fragmented and cyclical paper industry and environment risks associated with paper mills. The ratings, however, derive comfort from the experience of the promoter group in the paper industry and location advantage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) above Rs. 200 crore along with profit before interest, lease rentals, depreciation, interest and taxes (PBILDT) margins above 10% on a sustained basis
- Overall gearing below 1.50x on a sustained basis

Negative factors

- Overall gearing above 3.00x on a sustained basis
- Deterioration in interest coverage ratio marked by PBILDT to total interest below 1.50x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that the company is expected to benefit from the experience of the promoters the medium term from similar line of business.

Detailed description of key rating drivers:

Key weaknesses

Nascent stage of operations

SPIPL, incorporated in FY23, started its commercial production in June 2024. In FY24, the company had sale of scrap from the refurbishment activities to the tune of Rs. 2.08 crore. In 10MFY25, the company was able to achieve Rs. 69.00 crores in revenue. As SPIPL begins to scale its operations, establishing a stable market presence and improving operational efficiencies remain key monitorable.

Leveraged capital structure

As on March 31, 2024, overall gearing stood at 1.19x owing to higher debt levels marked by term loans outstanding worth Rs. 67.32 crore, inter-company deposits of Rs. 5.47 crore, and unsecured loans from related parties of Rs. 8.46 crore with moderate net worth base of Rs. 68.27 crore (as per the policy, (unsecured loans from promoters to the tune of Rs. 49.91 crore which is subordinated to the bank facilities have been treated as quasi equity). In FY24, the net worth of the company increased by Rs. 53.95 crore owing to infusion of capital by the promoters. The increase in overall debt represents increase in unsecured loan from the promoters, inter-corporate deposits and term loan availed by the company to refurbish the plant and install machinery. SPIPL is also expected to remain leveraged for medium term owing to on-going term loans and newly sanctioned working capital limits of Rs. 90 crores.

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

Environment risk associated with paper mills
Water is a key element in paper production as it is consumed in major processes such as raw material cleaning and pulp mill. Moreover, paper manufacturing processes leads to high volume of effluents as major proportion of water intake is discharged as effluents. SPIPL's manufacturing facility consumes wastepaper as a raw material and requires adequate treatment before it is released from the plant. Bore-well is set up at factory site to fulfil the requirement of water. The company has efficient in-house effluent treatment plant (ETP) ensuring maximum reuse of treated water which helps in reducing the total water consumption.

Presence in a highly fragmented and competitive industry wherein profit margins are susceptible to volatile input prices
Indian paper and paper board industry is highly fragmented with stiff competition from large number of organized as well as unorganized players. This limits the pricing power of the manufacturers to an extent. The prospects of paper manufacturers using recycling processes are dependent on the wastepaper market trend. Printing & writing paper form the bulk of the paper produced and demanded domestically. The industry is facing stiff competition from imports, as they are likely to be cheaper than the domestic produce, posing a challenge to the industry participants.

Key strengths

Experienced promoters having multiple business synergies
SPIPL belongs to Sukraft Group, existing since the year 1996. The group's expertise primarily lies in kraft paper manufacturing. The group also has experience in acquiring sick manufacturing units, reviving them and enhancing their capacities. In past, the group has acquired a couple of sick paper mills, refurbished those units with modern machineries and are running successfully post enhanced capacities.

Location advantage
The manufacturing facility is located at Nagpur, Maharashtra with very well-connected roads-rail infrastructure for convenient transportation of raw materials. Skilled mechanics & technicians to undertake various technical tasks are also available. The unit is located near Nagpur which is in central India and thus benefits from connectivity to major hubs in the country through all major transportation means.

Liquidity: Stretched

The company has free cash and bank balance of Rs. 2.12 crore as on March 31, 2024. The company is expected to generate Gross Cash Accruals in line with its repayment obligation of around Rs. 4.31 crore and Rs. 14.68 crore during FY25 and FY26 respectively.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Manufacturing Companies
Paper & Paper Products
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

Sukraft group floated their fifth entity, Sunmarc Paper Industry Private Limited (SPIPL) formerly known as Sukraft Paper Tech Private Limited with an intention to take over the paper division of Murli Industries Limited (MIL). The company's financial reporting and decision making is overseen by Mr. Dinesh Patel and Mr. Naresh Patel is responsible for the strategic initiatives and decision-making in the company who are also the promoters of the company. Furthermore, the promoters are also supported by a team of experienced professionals. SPIPL has three manufacturing facilities viz. writing & printing mill, newsprint mill, and pulp mill with an annual installed capacity of 66,000 MTPA, 42,000 MTPA, and 54,000 MTPA respectively. The company also has 15MW captive cogeneration power plant in their facilities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	2.76
PBILDT	0.00	0.21
PAT	0.08	-0.13
Overall gearing (times)	0.08	1.19
Interest coverage (times)	0.00	12.93

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of 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 and Rating Outlook
Fund-based – LT – Cash Credit		-	-	-	80.00	CARE BB; Stable
Fund-based – LT – Term Loan		-	-	31-03-2028	94.44	CARE BB; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	5.56	CARE BB; Stable / CARE A4
Non-fund-based – ST – ILC/FLC		-	-	-	10.00	CARE A4

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based – LT – Term Loan	LT	94.44	CARE BB; Stable	-	-	-	-
2	Fund-based – LT – Cash Credit	LT	80.00	CARE BB; Stable	-	-	-	-
3	Non-fund-based - ST-ILC/FLC	ST	10.00	CARE A4	-	-	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	5.56	CARE BB; Stable / CARE A4	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

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

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About us:
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