

**Star Paper Mills Ltd (Revised)**

August 13, 2020

**Ratings**

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	19.00	CARE BB; ISSUER NOT COOPERATING* (Double B) ISSUER NOT COOPERATING*	Issuer not cooperating; Revised from CARE BB+ (Double B Plus) on the basis of best available information
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four) ISSUER NOT COOPERATING*	Issuer not cooperating; Revised from CARE A4+ (A Four Plus) on the basis of best available information
<b>Total Facilities</b>	<b>29.00</b> <b>(Rs. Twenty-Nine</b> <b>Creore Only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & 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 August 08, 2020. 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 June 17, 2019 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies).*

**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, 2019, the net exposure of SPML to its associate company (ISG Traders Ltd) was at Rs.18.01 crore. The exposure accounted for 3.81% of the total net-worth as on March 31, 2019 (3.71% of the net-worth as on March 31, 2018).

**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.

**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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### 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 25% of the total sales in FY20 vis-à-vis 29% in FY19. 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). However, the power cost decline in FY20 over FY19 by over 23%.

### Comfortable leverage parameters

Overall gearing ratio of the company stood at 0.02x as on March 31, 2020. The comfortable leverage position is due to low debts and healthy net-worth position of the company.

### Satisfactory financial performance

In FY20, total operating income of SPML decline to Rs. 340.99 crore as compared to Rs.377.74 crore in FY19. However, PBILDT margin of the company, has improved from 13.05% in FY19 to 14.10% in FY20 mainly on account of decline in power and fuel cost.

**Analytical approach:** For arriving at the ratings, CARE has taken standalone view of the financials of SPML

### Applicable Criteria

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

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

### 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 (Rs. crore)	FY19 (A)	FY20 (Abridged)
Total operating income	377.74	340.99
PBILDT	49.29	48.09
PAT	53.19	37.26
Overall gearing (times)	0.02	0.02
Interest coverage (times)	75.83	73.98

A: Audited

**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 10, 2020

**Any other information:** Not Applicable

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

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	19.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING*

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
					on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information

\*Issuer did not cooperate; Based on best available information

#### 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	19.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (17-Jun-19)	-	1)CARE BB+; ISSUER NOT COOPERATING* (10-Jan-18)
2.	Non-fund-based - ST-BG/LC	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A4+; ISSUER NOT COOPERATING* (17-Jun-19)	-	1)CARE A4+; ISSUER NOT COOPERATING* (10-Jan-18)

\*Issuer did not cooperate; Based on best available information

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Letter of credit/ Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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##### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**