

## Sri Andal Paper Mills Private Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	141.55	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sri Andal Paper Mills Private Limited (SAPML) to monitor the rating vide e-mail communications/letters dated January 30, 2025, March 04, 2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Sri Andal Paper Mills Private Limited's bank facilities will now be denoted as **CARE BB; ISSUER NOT COOPERATING\***.

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

The ratings have been revised on account of non-submission of information required for credit rating despite repeated requests. The rating is constrained by the declined profitability in FY23 (refers to refers to April 1 to March 31), lower than envisaged cash accruals in 9mFY24 (refers to April 1 to December 31) on account of lower capacity utilization of the new unit, highly fragmented paper packaging industry, profit margins exposed to volatility associated with raw material prices and forex fluctuations. The rating, however, derives benefit from established track record and experience of promoters and comfortable capital structure and consistent infusion of funds by promoters.

### Analytical approach: Combined

For the purpose of analysis, CARE Ratings Limited (CARE Ratings) has combined the financials of three entities of the Andal Group, namely, Sri Andal Papers and Boards Private Limited (SAPBL), Sri Andal Paper Mills Private Limited (SAPML) and Sri Andal Paper Mills Unit II Private Limited (SAPML- II), since these entities are engaged in a similar line of activity, have common management team and operational linkage in terms of common customers and suppliers. The list of entities combined are given in Annexure-6.

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on April 05, 2024 the following were the rating strengths and weaknesses.

#### Key weaknesses

##### Lower capacity utilization leading to declined profitability and lower than envisaged accruals

The capacity utilization of the group which stood at 78% in FY20 has consistently declined over the years to 53% in FY23 and 49% in 9mFY24. The capacity utilization of SAMPL stood moderate at 37% in 9mFY24 as the company was not able to scale up production to optimum levels from the newly incorporated unit of machining capacity 630 Metric Tons Per day (MTPD), which commenced operations since November 2022. The PBILDT margin of the group declined over the years from 8.7% in FY22 to 2.66% in FY23 due to increased wastepaper and coal prices and higher overhead costs. Furthermore, due to increased interest expenses and higher depreciation from the new kraft paper manufacturing unit, the group reported net loss in FY23. During 9mFY24, despite the growth in turnover compared to FY23, the operating profits are lower than anticipated due to drop in sales realization following slowdown in demand for Kraft paper.

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

### **Intense competition in the highly fragmented paper packaging industry**

Indian paper board industry is highly fragmented with stiff competition from large number of organised as well as unorganised players. This limits the pricing power of the manufacturers in terms of flexibility to pass on the raw material price fluctuation to its customers. The Kraft Paper demand is mostly driven by the packaging sector, one of the fastest growing sectors in the Indian economy in recent years. This revival largely emanates from growth in sectors such as consumer durables, readymade garments, FMCG, pharmaceuticals, and rising penetration of e-commerce during this period.

### **Profit margins exposed to volatility associated with raw material prices and forex fluctuations**

Wastepaper and coal are the two key cost contributors for the Andal group. The prices of wastepaper are affected by two prime factors: prices in international market and monsoon as majority of the wastepaper in India is stored in open yard. The group's coal requirement for steam is met through 100% import from Indonesia, whose prices have also inherently been volatile being a globally traded commodity. The profitability, therefore, remains susceptible to raw material price fluctuation and volatility in foreign exchange, as the company does not have any hedging mechanism in place. The prices of coal and wastepaper increased significantly in FY23, which also had an impact on the profitability during the year.

### **Key strengths**

#### **Established track record and vast experience of promoters**

The Andal group has been in existence for more than two decades since 1996. The Managing Director, P. Subramaniam, and the Director, G. Jayanthi, have more than two decades of experience in the paper industry and actively participate in the management of day-to-day affairs. The promoters are supported by qualified and experienced second-level management team.

#### **Comfortable capital structure with regular infusion of funds by promoter**

The capital structure of the group stood comfortable with overall gearing at 0.56x as on March 31, 2023 (PY: 0.79x). The group availed term loan of ₹165.30 crore during FY21-FY23 towards setting up new unit. The promoters have also infused unsecured loans of Rs.86.49 crore in FY23 to fund working capital and for the capex requirements and Rs.53.55 crore in 9mFY24 to meet the repayment obligations and working capital. The total unsecured loans stood at Rs.439.9 crore as on December 31, 2023 of which Rs. 262.79 crore has been subordinated to bank borrowings and treated as quasi-equity.

**Assumptions/Covenants:** Not applicable

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

### **Applicable criteria**

[Policy in respect of non-cooperation by issuers](#)

[Consolidation](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Paper & Paper Products](#)

[Financial Ratios – Non financial Sector](#)

### **About the company and industry**

#### **Industry classification**

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

Sri Andal Paper Mills Private Limited (SAPML) was incorporated in March 1996. The company is promoted and currently managed by P. Subramaniam, the Managing Director. SAPML is engaged in the manufacturing of Uncoated Kraft Paper used in packaging industry with bursting factor in the range of 12-36 BF. Other group companies operating in the neighborhood, namely, Sri Andal Paper and Boards Private Limited (SAPBL) and Sri Andal Paper Mills Unit II Private Limited (SAPML- II) belong to the same promoter and engaged in the same line of activity. All the three manufacturing facilities operating as an integrated pulp and paper mill are located at Erode, Tamil Nadu, with a total pulping capacity of 421200 tonnes per annum (TPA) and machine capacity of 317000 tonnes per annum (TPA).

Brief Financials (₹ crore) Combined	March 31, 2022 (UA)	March 31, 2023 (UA)	9MFY25 (Prov.)
Total operating income	250.10	308.55	316.45
PBILDT	21.76	8.21	24.25
PAT	10.12	-33.09	NA
Overall gearing (times)	0.79	0.56	NA
Interest coverage (times)	13.11	0.48	NA

UA: Unaudited Prov.: Provisional; NA: Not available. Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) Standalone	March 31, 2022 (A)	March 31, 2023 (A)	9MFY25 (Prov.)
Total operating income	50.64	94.38	172.17
PBILDT	6.99	-1.55	11.83
PAT	4.89	-31.30	NA
Overall gearing (times)	1.01	0.66	NA
Interest coverage (times)	580.28	-0.14	0.71

A: Audited Prov.: Provisional NA: Not available; 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 last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### 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 and Rating Outlook
Fund-based - LT-Line Of Credit		-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	September 2027	121.55	CARE BB; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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-Line Of Credit	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable (05-Apr-24)	1)CARE BBB-; Stable (29-May-23)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING * (14-Feb-23)	1)CARE BBB-; Stable (24-Nov-21)
2	Fund-based - LT-Term Loan	LT	121.55	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable (05-Apr-24)	1)CARE BBB-; Stable (29-May-23)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING * (14-Feb-23)	1)CARE BBB-; Stable (24-Nov-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term;

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

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Line Of Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

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

**Annexure-6: List of entities consolidated**

The entities which have been combined are as below:

S.No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Sri Andal Papers and Boards Private Limited	Full	Operational and financial linkages
2.	Sri Andal Paper Mills Unit II Private Limited	Full	Operational and financial linkages

**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](mailto:care@careedge.in) for clarifications.

## Contact us

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### About us:

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