

Sundaram Multi Pap Limited

July 26, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	35.03	CARE BB- Stable; ISSUER NOT COOPERATING* (Double B minus; Outlook-Stable)	ISSUER NOT COOPERATING*;
Total Facilities	35.03 (Rupees Thirty five crore three lakh only)		

Details of instruments/facilities in Annexure-1

CARE has been seeking information from Sundaram Multi Pap Limited (SMPL) to monitor the rating(s) vide e-mail communications/letters dated May 17, 2019, June 25, 2019, July 8, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Sundaram Multi Pap Limited bank facilities will now be denoted as **CARE BB-; Stable 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 ratings.

The ratings take into account moderate scale of operations, below average financial risk profile, highly working capital intensive nature of operations, susceptibility of profit margins due to volatile material prices and presence in competitive and fragmented industry. The ratings however, derive strength from established regional brand presence, strong distribution network with experienced management.

Ability of SMPL to increase its scale of operations while improving its profitability amidst intense competition while maintaining its capital structure along with efficient management of its working capital requirement remain the key rating sensitivity.

Detailed description of the key rating drivers

At the time of last rating on June 29, 2018 the following were the rating strengths and weaknesses (updated for information received from BSE website).

Key Rating Weaknesses

Moderate and fluctuating scale of operations: The scale of operations of the company remained moderate and fluctuating over the period of past four years ended FY19(A). Total operating income (TOI) of the company has declined to Rs. 92.55 crore (vis-à-vis Rs. 108.66 crore in FY18) due to lesser orders received by the company.

Below average financial risk profile: Capital structure of the company remained moderate during past four balance sheet dates ended March 31, 2018. Further capital structure of SMPL remained moderate and improved to below unity with overall gearing of 0.43x as on March 31, 2019 from 0.89x as on March 31, 2018 owing to repayment of inter-corporate deposits taken.

Highly working capital intensive nature of operations: Operations of SMPL are highly working capital intensive mainly on account of funds being blocked in inventory as company has to maintain raw material inventory to execute the orders in timely manner and receivables as company offers credit period of around two to three months. Further on the other hand it company receives moderate credit period from its suppliers which has further resulted in maximum utilization of working capital limits.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Susceptibility of profit margins due to volatile material prices: The raw material is the major cost driver and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of the paper and duplex board being major cost components amongst all raw materials are volatile in nature. Accordingly, the profitability margin of the firm is susceptible to fluctuation in raw material prices. With limited ability to pass on the increase in raw material costs in a competitive operating spectrum, any substantial increase in raw material costs would affect the company's profitability.

Presence in competitive and fragmented industry: SMPL operates in a highly competitive and fragmented stationary industry. The company witnesses intense competition from both the other organized and unorganized players domestically. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry.

Key rating Strengths

Established regional brand presence, strong distribution network: SMPL has long standing track record of operations with more than two decades of existence in the market in which the company has established market position and developed its brand presence. 'Sundaram' is one of the leading brands in education stationery market in western India for the past two decades. SMPL has a strong distribution network with over 42 stockiest put together across Maharashtra, Gujarat and Goa.

Experienced management: SMPL is promoted by Shah brothers viz; Mr. Amrut Shah and Mr. Shantilal Shah, having more than 32 years of experience in education stationery industry of which majority has been gained through its association with company since 1996.

Analytical approach: Standalone

Applicable Criteria:

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

[Criteria on assigning Outlook 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

Sundaram Multi Pap Limited (SMPL), incorporated in 1996, is promoted by Shah brothers viz; Mr. Amrut Shah and Mr. Shantilal Shah. SMPL is engaged in the manufacturing of exercise books, other paper stationery products and trading of craft papers and sketch books. Its manufacturing facility is located at Palghar with an installed capacity of 15 crore pieces per annum. It sells its products in Maharashtra, Goa and Gujarat and has a strong distribution network with over 42 stockiest in the said region. The major raw material required is paper and duplex board and are procured primarily from West Coast Paper Mills Limited and Tamil Nadu Newsprint and Papers Limited.

Brief Financials (Rs. crore)	FY19 (A)	FY18 (A)
Total operating income	99.59	109.38
PBILDT	14.73	12.25
PAT	6.60	-18.85
Overall gearing (times)	0.43	0.89
Current ratio (times)	1.63	1.31

A: Audited.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (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-Term Loan	-	-	-	11.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	20.20	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Funded Interest term Loan	-	-	-	3.58	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	11.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (22-Nov-18) 2)CARE B+; Stable (04-Jul-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	20.20	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (22-Nov-18) 2)CARE B+; Stable (04-Jul-18)	-	-
3.	Fund-based - LT-Funded Interest term Loan	LT	3.58	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (22-Nov-18) 2)CARE B+; Stable (04-Jul-18)	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to 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.

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