



Books for Success...

Manufacturer of Exercise Book & Paper Stationery

Date: 25-07-2019

To,
BSE Limited
P. J. Towers,
Dalal Street, Mumbai-400 001
Ref: Scrip Code: 533166

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
BKC, Bandra (E), Mumbai- 400 051
Ref: Symbol: SUNDARAM

Dear Sir/Madam

Sub: Intimation of Credit Rating

In terms of the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the Company has received "BB-" (Stable) Credit Rating from CARE Ratings Limited.

Kindly take the above information on your records.

Thanking you,
Yours faithfully,

For Sundaram Multi Pap Limited


Rajesh Jain
CFO



Mr. Amrut Shah

Director

Sundaram Multi Pap Limited

Unit 5, 6, Papa Industrial estate,
Suren Road, Chakala, Andheri Kurla Road,
Andheri East Mumbai – 400093

July 25, 2019

Confidential

Dear Sir,

Credit Rating of Sundaram Multi Pap Limited

This is with reference to our rating agreement dated June 15, 2018 wherein you had agreed to provide information to monitor and conduct the surveillance/review of the Rating over the lifetime of rated Bank Facilities.

2. In the absence of adequate co-operation from your end despite repeated requests, CARE has reviewed the ratings as follows:

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

3. We would be issuing a Press Release shortly to inform the regulators, investors and public at large. A draft of the Press Release is enclosed.

Thanking you,

Yours faithfully,

[Suchita Markar]

Jr. Analyst

suchita.shirgaonkar@careratings.com

[Ruchi Shroff]

Manager

ruchi.shroff@careratings.com

Encl.: As above

¹Complete 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

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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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Annexure

Press Release

Sundaram Multi Pap Limited

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

² Complete 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

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other hand it company receives moderate credit period from its suppliers which has further resulted in maximum utilization of working capital limits.

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: Nil

Any other information: Not Applicable

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

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.

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)	-	-

*Issuer did not cooperate; Based on best available information

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5
CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)