



Press Release

Sivadharshini Papers Private Limited (SPPL)

November 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	61.85 (Reduced from Rs. 65.79 crore)	IVR BBB-/Stable	IVR BBB-/Negative	Reaffirmed; Outlook revised	Simple
Total	61.85 (Sixty-One Crore and Eighty- Five Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the rating to the bank facilities of Sivadharshini Papers Private Limited (SPPL) reflects in continues to factor in the experience of promoters in the paper industry, satisfactory capacity utilization with enhanced capacity, strategic location of plant, range bound revenue & improving EBITDA margin. However, these strengths are partially offset by product concentration risk and fragmented industry structure with stiff competition, cyclicalities in paper industry, volatility associated with fluctuation in raw material prices.

Revision in the rating outlook to stable reflects improvement in the financial & operational performance in H1FY25, which is expected to continue in H2FY25 & beyond.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained growth in revenue and/or EBITDA margin leading to improvement in debt protection metrics & capital structure.

Downward Factors

- Any decline in revenues and/or EBITDA margin leading to deterioration of debt protection metrics or any decline in average realizations.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of the promoters in paper industry**

Mr. K Ganesan is a diploma holder in electrical and electronics engineering having more than two decades of experience in designing, erecting and maintaining utility & energy equipment for various paper units. He is the managing director of the company and involves in the technical and strategic decision making. Mrs. K Malarvizhi is the whole-time director of the company and has more than two decades of experience in the industry. She is involved in the day-to-day operations, administration and finance of the company.

- **Satisfactory capacity utilization with enhanced capacity**

The capacity utilization of the company remains satisfactory during the period FY22-FY24, and the average utilization is ~71.30% on the installed capacity of 160 tons/day. The satisfactory utilization is due to healthy demand scenario for the packaging paper products in the market.

- **Strategic location of the plant**

The manufacturing facility of the company is in Madathukulam, Coimbatore which is in close proximity to raw material sources. The main raw material is waste kraft paper and the same is primarily being procured from Tirupur, Coimbatore, Erode and Sivakasi. These places are located within 150 KM radius from the unit. Further, location has a good rail, road and port connectivity for transporting raw material and finished good. NH 209 Kovai – Din Digul highway, which is at 10 KM from the unit, connects the major cities of the southern part of the country and thus providing easy access to markets. The big industrial city – Coimbatore is 80 KM away from the unit. Tuticorin port is 350 KM away from the unit's location. Hence, proximity of raw material sources and good connectivity provides a competitive edge to the Company which reduces business risk to some extent.

- **Range bound revenue & improving EBITDA margin**

The scale of operations of the company remained modest in the last three years ended FY24 (refers to period April 1st, 2023, to March 31st, 2024) marked by operating income in the range of Rs.90-115 crore in the last three years. However, with the enhanced capacity utilization and increasing demand for the kraft paper, the company has achieved a total operating income of Rs. 98.13 Cr in FY24 (FY23: Rs. 95.65 crore) (refers to period April 1st, 2022, to March 31st, 2023). The company has reported an improvement in EBITDA



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margin from 8.59% in FY23 to 12.04% in FY24. In H1FY25 SPPL's revenue increased to Rs. 65.41 crore (H1FY24: Rs. 55.28 crore). Subsequently, debt protection metrics remained moderate due to stable GCA of Rs. 5.92 crore in FY24. ISCR stood moderate at 1.91x in FY24.

Key Rating Weaknesses

- **Product concentration risk and fragmented industry structure with stiff competition**

The company's product portfolio is limited to kraft paper and thus, revenue is exposed to product concentration risk. Further, the kraft paper industry is highly fragmented with stiff competition from numerous organized as well as unorganized players. However, the same is mitigated to an extent with the increasing online purchase of consumer which has, in turn, increased the demand for packaging materials and thus, supported the revenue scale of the company. Further, with strategic capex for manufacturing paper with higher GSM range may reduce the degree of competition to an extent as it is used for industrial packaging and has an advantage of bringing in niche customers.

- **Cyclicity in paper industry**

The paper industry is cyclical in nature and companies are exposed to volatility in raw material prices, as well as the threat of imports, which could prevent companies from passing on increases in raw material prices to customers. Hence, cyclical downturns or adverse change in the demand-supply balance may result in lower realisations.

- **Volatility associated with fluctuation in raw material prices**

Waste kraft paper is the major raw material. Thus, the average realizations are dependent on wastepaper prices. Hence, the company's profitability remains exposed to volatility in wastepaper prices and its ability to pass on any rise in prices to the customers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity – Adequate

The liquidity of the company remains adequate marked by comfortable GCA for the projected repayments in the medium term. The fund based working capital utilisation remains modest with average utilization of around 94% for the last 12 months ended September 2024 . The current ratio stood at 1.21x in FY24 (FY23: 1.10x). The unencumbered cash and cash equivalent stood at Rs. 0.12 crore in FY24.

About the Company

Located in Coimbatore, Tamil Nadu, Sivadharshini Papers Private Limited was incorporated in November 2008. It is a closely held company which is engaged in manufacturing of kraft paper. It has an total installed capacity of 160 tons per day.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	95.65	98.13
EBITDA	8.21	11.82
PAT	1.38	1.06
Total Debt	64.95	63.39
Tangible Net Worth	20.80	24.84
EBITDA Margin (%)	8.59	12.04
PAT Margin (%)	1.44	1.08
Overall Gearing Ratio (x)	3.12	2.55
Interest Coverage (x)	2.43	1.91

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:



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S r. N o.	Name of Security/Facilities	Current Ratings (2024-2025)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24			Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Jan 22, 2024)	(June 21, 2023)	(June 01, 2023)	-	(Mar 26, 2022)
1.	Fund Based Facilities- Term Loans	Long Term	39.35	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	IVR BB+/ISSUER NOT COOPERATING/Stable	-	IVR BBB-/Stable
2.	Fund Based Facilities- Cash Credit	Long Term	22.50	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	IVR BB+/ISSUER NOT COOPERATING/Stable	-	IVR BBB-/Stable
3.	Fund Based Facilities- Term Loan (Proposed)*	Long Term	0.00	-	IVR BBB-/Negative	-	-	-	-

*The same has been sanctioned subsequently.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	Up to 2035	39.35	IVR BBB-/Stable
Cash Credit	-			Revolving	22.50	IVR BBB-/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Sivadharshini-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.