June 05, 2023

The South India Paper Mills Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund Based-Term Loan	166.77	166.77	[ICRA]BBB (Negative); outstanding
Fund based- Working Capital Facilities – Cash Credit	70.00	70.00	[ICRA]BBB (Negative); outstanding
Non-fund based-Working Capital Facilities – LC/BG	5.50	5.50	[ICRA]A3+; outstanding
Unallocated Limits	7.73	7.73	[ICRA]BBB (Negative); outstanding
Total	**250.00**	**250.00**	

**Instrument details are provided in Annexure-1*

Rationale

Material Event

The South India Paper Mills Limited (SIPM) has disclosed its Q4 FY2023 and FY2023 financial results to the stock exchanges on May 25, 2023. In Q4 FY2023, SIPM reported an operating income of Rs. 69.1 crore with net losses of Rs. 10.3 crore. In FY2023, the company reported an operating income of Rs. 287.9 crore and a net loss of Rs. 16.7 crore. In Q4 FY2023, the company raised Rs. 45.4 crore through preferential allotment of shares.

Impact of Material Event

ICRA has noted the company's performance wherein the financial profile remains affected by the delay in stabilisation of the new capacity and high fixed costs, resulting in sharp losses. The company in the interim has raised capital worth Rs. 45.37 crore in Q4 FY2023 to fund the losses and support liquidity needs till the operations stabilise. ICRA has been engaging with the client to understand the performance as well as future strategy related to turnaround of operations. ICRA will assess the company's credit profile once necessary details and clarifications are received from the management and will review the ratings shortly.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Rating sensitivities. **Click here**

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Incorporated in 1959, SIPM operates a kraft paper manufacturing unit along with a packaging division at Nanjangud in the Mysore district of Karnataka. SIPM also has an 11-MW captive cogeneration power plant. Its key products include kraft liners, test liners, machine-glazed kraft paper, corrugated boards and wraparound boxes. The manufacturing facility has an installed production capacity of 1,15,500 MT/year for the paper division and 36,000 MT/year for the packaging division. About 45-50% of paper manufactured is captively consumed in the packaging division.

Key financial indicators

Standalone	FY2021	FY2022	FY2023
Operating income	226.8	305.4	287.9
PAT	19.0	21.7	-16.7
OPBDIT/OI	16.7%	12.3%	-2.2%
PAT/OI	8.4%	7.1%	-5.8%
Total outside liabilities/Tangible net worth (times)	0.8	1.3	1.1
Total debt/OPBDIT (times)	2.7	5.3	-30.8
Interest coverage (times)	8.3	6.4	-0.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jun 05, 2023	Dec 26, 2022	Aug 08, 2022	Jan 27, 2022	Oct 30, 2020
1	Fund based term loans	Long-term	166.77	163.8	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Fund-based Working capital facilities	Long-term	70.00	-	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
3	Non-fund based - Working capital facilities	Short-term	5.50	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A2	[ICRA]A2	[ICRA]A2
4	Unallocated Limits	Long-term	7.73	-	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple
Fund-based limits	Simple
Non-fund-based facilities	Very Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loans 1	Oct-2014	-	Dec-2024	40.00	[ICRA]BBB (Negative)
NA	Term Loans 2	Oct-2015	-	Jan-2026	126.77	[ICRA]BBB (Negative)
NA	LC/BG	NA	NA	NA	5.50	[ICRA]A3+
NA	Cash Credit	NA	NA	NA	70.00	[ICRA]BBB (Negative)
NA	Unallocated	NA	NA	NA	7.73	[ICRA]BBB (Negative)

Source: Company data

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Suprio Banerjee
+91 022 6114 3443
supriob@icraindia.com

Sanket Jangale
+91 020 6606 9919
sanket.jangale@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

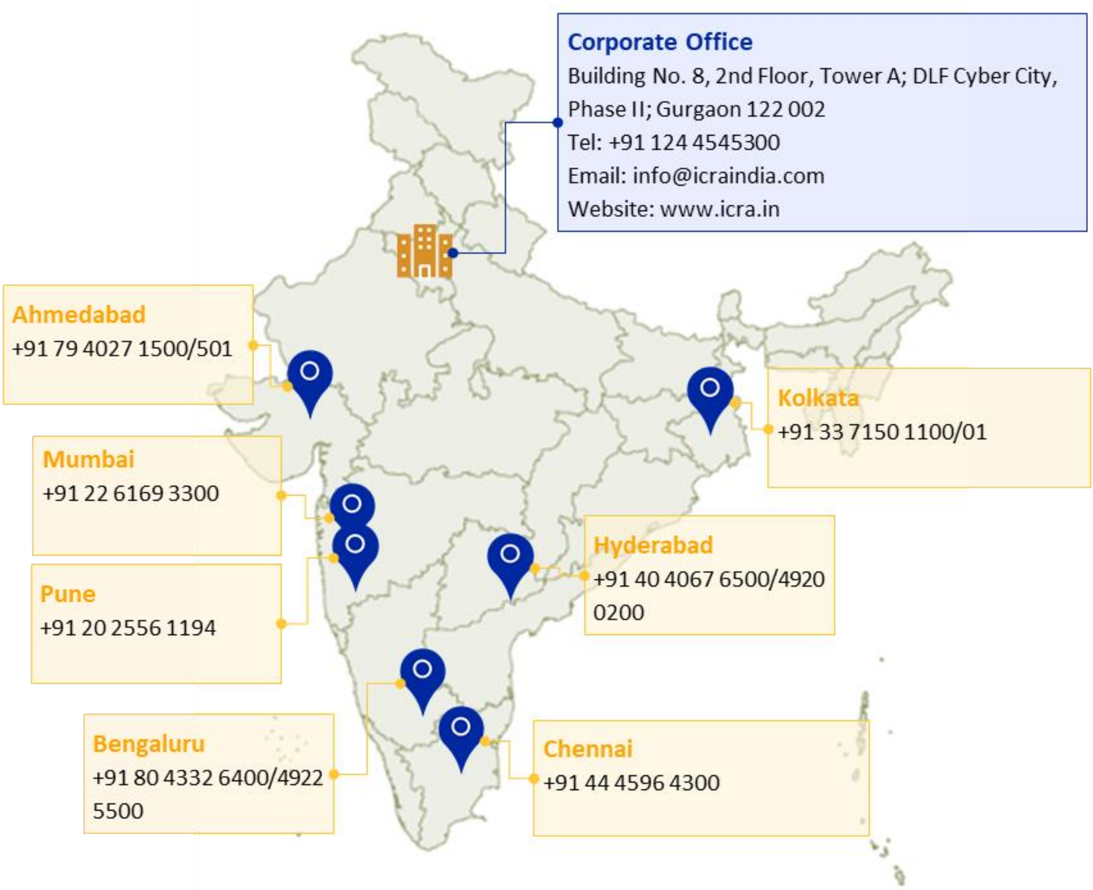
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.