

July 13, 2010

**CARE ASSIGNS A 'CARE BBB' RATING TO THE LONG-TERM BANK FACILITIES
OF
SUNDARAM MULTI PAP LTD.**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	66.23	'CARE BBB' (Triple B)	Assigned
Total Facilities	66.23		

Rating Rationale

The rating derives strength from Sundaram Multi Pap Limited (SMPL)'s good brand name in Maharashtra, the company's experienced management, moderate gearing levels, stable profit margins and strong distribution network. The rating also takes into consideration the ongoing diversification plans of the company.

The rating is, however, constrained by SMPL's low profit margins, dependence on single supplier, off take risk for Nagpur mills, exports to economically weaker countries and low entry barriers in the industry. Being in the volume-based paper stationary industry, the company's ability to fund the expansion plans through internal accruals remains the key rating sensitivity.

Company Profile

Sundaram Multi Pap Limited (SMPL) was promoted by Shah brothers, Mr. Amrut P. Shah and Mr. Shantilal P. Shah, in March 1995. SMPL is engaged in the manufacturing of notebooks, account books and other paper stationery products. As in March 2010, SMPL has a conversion capacity of around 32,000 tonnes per annum (tpa). SMPL also plans to start manufacturing of Kraft paper at Nagpur from FY11.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications



Press Release

Total income of SMPL increased by 13% to Rs.129.35 crore in FY09 compared to FY08 mainly driven by growth in domestic sales. PAT margins for FY09 declined from 7.19% to 6.28% on account of higher raw material prices and derivative losses. On a total income of Rs.74.46 crore, SMPL earned a PAT of Rs.7.43 crore in H1FY10.

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CARE 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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