



## IPO Note

# Subam Papers Limited

Recommendation: **APPLY!**

- Established in 2004 the company has their registered office in Tirunelveli, Tamilnadu, India.
- Business Activity:** Subam Papers Limited is a manufacturer of recycled paper and paper products in India. The company specializes in kraft paper and duplex board, serving various industries such as packaging, FMCG, and pharmaceuticals.
- Revenue Streams:**
  - The company's revenue is primarily concentrated in domestic market forming 93.78% of total revenue. Tamil Nadu, Kerala, and Karnataka are the top three states contributing to Subam Papers Limited's domestic revenue in FY 2023-24, accounting for 88.63%, 5.22%, and 2.61% respectively.
  - Of the 6.22% of foreign sales in FY24, 92.08% is generated from China.
- Subam Papers Limited** manufactures Kraft Paper (main product), Cone Board, Duplex Board and Corrugated Boxes with its **subsidiary Subam Paper and Boards Private Limited** Manufacturing Paper Cone, Paper Cone and Tube as well as Paper Board.
- As of September 2024, the company had 500 permanent employees on its payroll.

### Objects of the Issue -

- Investment in a Subsidiary for Financing its Capital Expenditure requirements
- General Corporate Purposes.

### Promoters Name -

T Balakumar and Sudha Alagarsamy

### Rationale for recommendation -

- ✓ Sustainable revenue growth as well resilient operating margins.
- ✓ Growing Industry with government support and proximity to Thambaraparani River as well as upcoming Vizhinjam Seaport.
- ✓ Management possesses relevant experience and education.
- ✓ Only knowledgeable investors with a long-term investment horizon should consider investing.

### IPO Details

Opening Date	September 30, 2024
Closing Date	October 3, 2024
Allotment Date	October 4, 2024
Listing Date	October 8, 2024
Stock Exchange	BSE SME
Lot Size	800 Shares
Issue Price Per Share	₹144 to ₹152 per share
Issue Size	₹93.70 Cr
Fresh Issue	₹93.70 Cr
Offer for Sale	-
Application Amt	₹1,21,600 (800 shares)

### INDUSTRY – Paper and Packaging P/E – 9.46

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	32,927.45	50,829.89	49,386.46
EBITDA	4,071.90	3,148.87	7,272.09
Net Profit	2,496.85	-68.34	3,302.68
RoCE	12.67%	5.72%	19.99%
ROE	15.05%	-0.41%	16.59%
P/E	9.51	-	7.40

### Promoter Share Holding Pattern

94.81%	69.67%
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### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	20.53	14.21
BVPS	122.29	125.94
P/E	7.40	10.70
P/BV	1.24	1.21
Mkt Cap (In Cr)	259.62	353.32

### Lead Managers -

**Gretex Corporate Services Limited**

### Registrar -

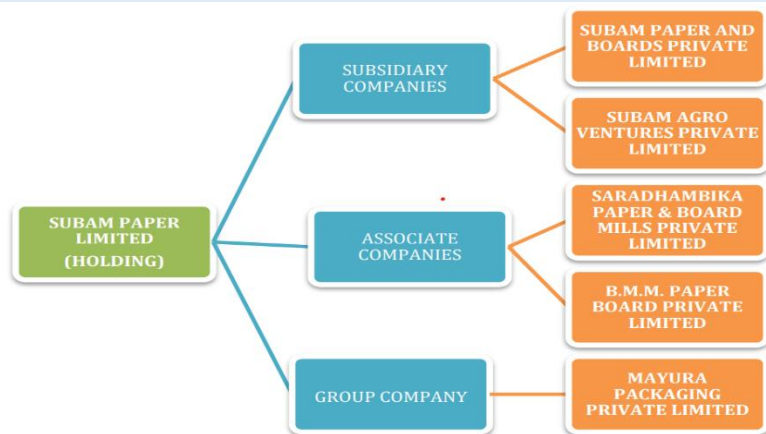
**Bigshare Services Pvt Ltd**

**Business Overview**





Incorporated in 2004, the company began commercial operations in 2005 with a 30 TPD paper machine (PM1). By 2010, it installed a windmill, increasing capacity to 1.7 MW.


In 2019, it achieved FSC certification. In 2021, the Paper Products Division of Subam Paper & Boards was launched. Solar power plants were commissioned in 2022 (10 MW) and 2024 (4 MW).

In 2023, odour-free paper and water treatment technology were introduced, and in 2024, the company became a public limited entity.



**Product Portfolio**

Product	Product Image/Usage	Usage	Characteristics
<b>Kraft Paper</b>	 Industrial bags, grocery bags, and multiwall sacks	Corrugated boxes, online retail packaging, carry bags, wrapping, and protective packaging	Strong, durable, high tear resistance, and typically brown due to unbleached wood pulp. <b>Material:</b> Made from 100% recycled wastepaper; <b>Finish:</b> Natural, Golden Yellow, Brown, and other custom shades; <b>GSM:</b> Available in a range from 120 to 300; <b>Bursting Factor:</b> 16 to 24; <b>Deckle PM2:</b> Up to 4400mm; <b>Reel Diameter:</b> Up to 1400mm
<b>Duplex Board</b>	 Folding Boxes, brochures & Wedding Cards	Mono cartons, small boxes, notebook covers, invitations, matchboxes, carry bags, online retail packaging, writing and printing paper.	Made with two layers, one side usually coated for a smooth finish, suitable for printing, stiff and durable. <b>Finish:</b> Available in both greyback and white back variants; <b>Thickness:</b> Offered in a range of thicknesses from 200 GSM to 400 GSM; Grade: uncoated, lightweight coated and heavyweight coated; <b>Deckle: PM1:</b> Up to 2650mm; <b>Reel Diameter:</b> Up to 1400mm; Printability: Superior surface ideal for high-quality printing and branding
<b>Corrugated Boxes</b>	 Boxes used for Electronics, Electrical wires, Chemicals, Pizza Box and Mono carton Box.	Corrugated boxes and packaging materials.	Comprises a B-flute and C-fluted corrugated sheet and one or two flat linerboards, provides cushioning and strength. <b>Material:</b> Made from 100% recycled wastepaper
<b>Paper Cones</b>	 Paper cones used in textile for Yarn Carries	Yarn Winding, Thread Storage, Tape Rolls, Wire and Cable, Packaging, Protective Packaging, Confectionery and Arts and Crafts.	Strength and Durability, Lightweight, Cost-Effective, Customizable, Recyclable and Eco-Friendly, Versatile, Multi-Use, Sturdy Base, Resistance to <b>Deformation:</b> Shape Retention. <b>Material:</b> Made from 100% recycled wastepaper; <b>Top and Bottom colour printing:</b> 10 colours and more than 20 designs

<p><b>Paper Tubes and Cores</b></p>		<p>packaging, industrial winding, textile storage, and as cores for consumer goods like paper towels and tapes</p>	<p>Offer exceptional strength, versatility, and eco friendliness, with customizable options and reliable shape retention for diverse industrial and packaging needs. <b>Material:</b> Made from 100% recycled wastepaper; <b>Diameter:</b> 40mm to 80mm; <b>Weight:</b> 30 grams to 10 kilograms</p>
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**Brief on Subam Paper and Board Private Limited (SPBPL)**

Incorporated in 2020, manufactures and trades Kraft paper boards, cones, and tubes. Operations began in 2021, leasing plant, machinery, and land from M/s. Unicone in 2022. An additional usage agreement was signed in 2023 for Unicone's licenses.

Currently SPBPL has 5 manufacturing units, and all the units are taken on lease and plant and machinery at all these units are taken on lease from M/s. Unicone, a proprietorship concern of promoter, Mr. T Balakumar.

**Mission:** Empowering a Sustainable Future: Crafting exceptional Eco-friendly Recycled Packaging Products with unmatched quality and timely services, with renewable energy, Enriching Lives with Unparallel Customer Satisfaction

**Vision:** “Fostering Joyful Prosperity: Empowering Stakeholders and Cultivating a Thriving Society.

**Consolidated Top 3 Products (FY 2023-24):**

- Kraft Paper:** 271 Cr.- 55.53%
- Duplex Board:** 137 Cr.- 28.06%
- Cone Board:** 13 Cr.- 2.72%

**Standalone Top 3 Products (FY 2023-24):**

- Kraft Paper:** 271 Cr.- 61.43%
- Cone Board:** 292 Cr.- 6.63% **(This is 29 Cr)**
- Duplex Board:** 137 Cr.- 31.08%

**Sustainable Advantages-**

**Raw Material Sourcing:**

The company uses recycled paper as its primary raw material, saving 17 trees, 7,000 gallons of water, and 380 gallons of oil. It reduces landfill space by 3.3 cubic yards and saves 4,000 kilowatts of energy. This aligns with its commitment to environmental responsibility.

Virgin paper, made from wood pulp or cotton, is non-recyclable and high-quality. Foreign markets consume 250-300 kg per capita, while India consumes 15 kg. To meet India’s annual demand of 22 million tons, 12-13 million tons are collected domestically. The company imports 6-7 million tons from the US, UK, Europe, and Canada to bridge the gap and improve product quality. By using more recycled paper, the company offers superior paper and paperboards compared to competitors relying solely on domestic sources.

**Government Partnerships:**

The company has entered a Memorandum of Understanding (MOU) with the Tamil Nadu Government to set up new paper manufacturing plants in economically backward districts. This initiative aims to **create 2000 jobs (1500 direct and 500 indirect)**. The Tamil Nadu Government will offer facilitation and support for implementing the project, including eligible subsidies.

**Renewable Energy:**

The company has invested in two windmills (totaling 1.7 MW) and a solar plant (14 MW) to reduce its carbon footprint. Renewable energy sources contribute to the company's energy self-sufficiency.

**Customer Base:**

Subam Papers Limited operates on a B2B business model, serving a diverse network of over 1200 customers. Diversifying its customer base helps the company mitigate credit risks and ensure stable revenue streams, with no single customer accounting for more than 5% of total sales.

### Infrastructure and Operations:

- The company installed water pumping stations and rainwater harvesting systems, allowing 25,000 gallons per hour withdrawal from the Thambaraparani River, plus 10 lakh Liters daily from rainwater harvesting. Proximity to this perennial water source ensures high-quality paper production.
- **Efficient inventory management:** ERP technology streamlines inventory management and improves responsiveness.
- **Odor-free paper production:** The new odourless paper, produced using Anaerobic Reactor technology, addresses water pollution concerns and meets growing consumer demand for hygienic food packaging. This innovative approach reduces microbiological growth, improves operational efficiency, and ensures sustainable water usage.
- **Integrated manufacturing facility:** The company's fully automated facility prioritizes precision, safety, and quality control.

## Business Strategies -

### 1. Strategic Port Selection:

The current reliance on transshipment through ports like Colombo, Singapore, and Jebel Ali increases import and export costs. The upcoming Vizhinjam Seaport in Thiruvananthapuram is expected to reduce these costs. Its proximity to the Company, situated just 150 km away, positions them to benefit from the anticipated reduction in logistics costs once the port becomes fully operational by December 2024. Vizhinjam's status as the gateway to the Southern States, which contribute to 31% of India's GDP, will enhance competitiveness.

### 2. Vertical Integration:

Wholly Owned Subsidiary: Supporting the establishment of a new unit within the company to strengthen market presence and ensure operational efficiency.

## Competition -

### Industry Analysis

- **Industry Life Cycle:** India's low per capita paper consumption compared to global averages (13 kg compared to the global average of 57 kg) suggests potential for growth in the recycled paper market which is further driven by increasing consumer awareness of sustainability and government regulations banning plastic packaging.
- **Business Cycle:** The industry is cyclical, influenced by economic fluctuations and changes in demand for paper products. The Competition Commission of India has investigated and penalized non-wood-based paper manufacturers for price-fixing and cartelization.
- **Experience Curve:** The recycled paper industry benefits from economies of scale, with larger manufacturers often having lower production costs.

### Porter's Five Forces Analysis

1. **Threat of new entrants: Moderate to High**, recycled paper mills require lower capital investments, making them more accessible to smaller players.
2. **Bargaining power of buyers: Moderate to high**, as buyers have multiple options and Recycled paper products are generally undifferentiated, limiting pricing strategies.
3. **Bargaining power of suppliers: Moderate to high**, In India, approximately 50% of wastepaper requirements are imported due to low domestic collection rates.
4. **Threat of substitute products: Moderate**, with substitutes like plastic and digital alternatives posing potential threats.
5. **Intensity of competitive rivalry: High**, due to the fragmented nature of the industry and numerous players competing for market share. The increasing competition from overseas paper manufacturers, especially those facing declining domestic demand, poses a threat to recycled paper producers in India.



## Risk Factors –

Subam Papers Limited faces 34 litigations involving direct and indirect taxes. Key cases include seven GST demand notices totalling ₹1,474.21 lakhs, six GST proceedings, two TDS cases amounting to ₹12.20 lakhs, and income tax issues under investigation, potentially impacting business operations.

In FY 2022-23, Subam Papers faced severe wastepaper shortages, leading to a profit decline from ₹2,600.23 lakhs in FY 2021-22 to a ₹26.79 lakh loss. EU export bans worsened supply issues.

Company faces contingent liabilities totalling ₹3,486.41 lakhs, including ₹1,486.41 lakhs in income tax demands and ₹2,000 lakhs in bank guarantees. If materialized, these liabilities could negatively impact the company's financial condition.

Subam Papers faces potential conflicts of interest as its group companies—Saradhambika Paper and Board Mills, B.M.M. Paper Board, and Mayura Packaging—operate in similar industries. These conflicts may impact business, financial conditions, and operations, potentially favouring group companies.

Subam Papers was referred to the NCLT under the Insolvency and Bankruptcy Code by Exim Routes Pte Ltd for a claim of US\$158,490.90. The matter was amicably settled, and the petition was withdrawn in October 2022.

Subam Papers' wholly owned subsidiary for whom the company is raising money for experienced a loss of ₹149.83 lakhs in FY 2023 due to raw material shortages, following a profit of ₹128.42 lakhs in FY 2022. Future financial performance remains uncertain.

Subam Papers generated 88.63% of its FY 2024 sales from Tamil Nadu. This geographical concentration exposes the company to risks from regional competition and economic changes, potentially affecting its business and limiting expansion prospects.

Company has negative operating cashflow in FY22.

## PEER ANALYSIS –

Particulars	Subam Papers Limited			Pakka Ltd			Shri Ajit Pulp and Paper Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
<b>NP Margin</b>	7.58%	-0.13%	6.69%	8.64%	10.96%	14.50%	5.16%	5.42%	2.73%
<b>EBITDA Margin</b>	12.37%	6.19%	14.72%	17.13%	21.65%	30.23%	10.38%	10.21%	9.22%
<b>RoCE</b>	12.67%	5.72%	19.99%	27.65%	30.50%	19.40%	16.97%	8.69%	4.54%
<b>ROE</b>	15.05%	-0.41%	16.59%	21.62%	22.39%	17.26%	2.60%	2.50%	0.72%
<b>EPS (INR)</b>	15.98	-0.16	20.53	10.13	12.56	11.24	27.32	26.11	9.78
<b>P/E</b>	9.51	-950.00	7.40	7.78	7.60	25.81	8.32	6.72	19.19

### Subam Papers Limited vs. Peers

- **NP Margin:** Subam Papers Limited's NP margin improved significantly from -0.13% in FY23 to 6.69% in FY24, outperforming Shri Ajit Pulp and Paper Limited but Pakka Ltd. consistently has higher margins.
- **EBITDA Margin:** Subam Papers Limited's EBITDA margin also improved, but Pakka Ltd and Shri Ajit Pulp and Paper Limited maintained higher margins throughout the period.
- **ROCE and ROE:** Subam Papers Limited's ROCE and ROE have shown strong improvement, surpassing its peers in some cases or performing at par with them.
- **EPS:** Subam Papers Limited's EPS has improved significantly, outperforming its peers in FY24.

**Industry Overview**

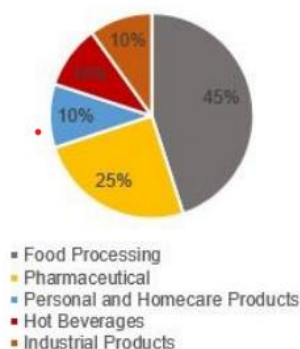
**Packaging Industry**

- **Market Size:** Valued at \$50.5 billion in 2019, projected to reach \$204.81 billion by 2025 (CAGR 26.7%).
- **Growth Drivers:** E-commerce, food processing, pharmaceuticals, FMCG, manufacturing, healthcare.
- **Key Segments:** Rigid (36% - Corrugated boxes) & Flexible (64% - Paper bags, sachets).
- **Government Initiatives:** National Packaging Initiative promoting design guidelines, bulk movement, centralized industrial activity, material recovery facilities, domestic manufacturing, skilled workforce development.
- **Recycled Paper Potential:** Subam Papers Limited's focus on recycled paper aligns well with the industry's growing sustainability focus.

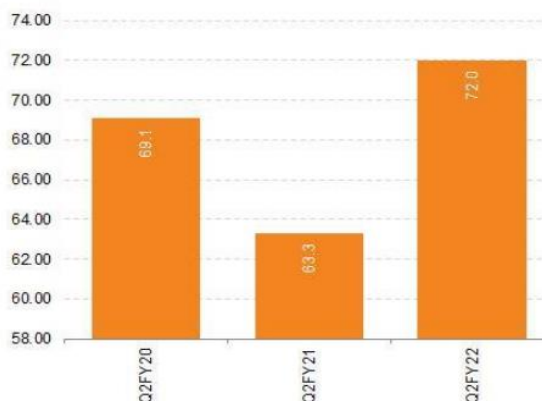
**Manufacturing Industry**

- **Market Size:** Contributes 16-17% of India's GDP, employs over 27.3 million.
- **Growth Potential:** Government aims for 25% of GDP by 2025 through "Make in India" and PLI schemes.
- **Focus Areas:** Automation, process-driven manufacturing, Industry 4.0.
- **Key Sectors:** Automobile, engineering, chemicals, pharmaceuticals, consumer durables.
- **Investments:** FDI inflows in FY23: Automobile (\$35.65 billion), Chemicals (\$22.07 billion), Pharma (\$22.37 billion), Food Processing (\$12.46 billion).
- **Recent Developments:** Semiconductor plant approvals exceeding \$15 billion.

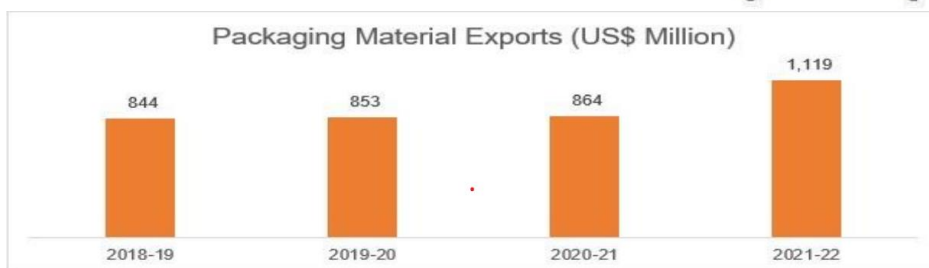
Packaging Materials and Machinery End Users (by share of volume)



Capacity Utilisation in Manufacturing Sector (in %)



Packaging Material Exports (US\$ Million)



**Additional Insights**

- **Global Trends:** The global packaging industry is undergoing significant shifts, driven by factors such as sustainability, e-commerce, and changing consumer preferences. Luxury packaging, eco-friendly materials, and personalized packaging are emerging trends.
- **Technological Advancements:** Automation, robotics, and digitalization are transforming the packaging industry, improving efficiency, reducing costs, and enabling customization. Artificial intelligence (AI) is being used for predictive maintenance, demand forecasting, and supply chain optimization.
- **Supply Chain Challenges:** Disruptions in global supply chains, rising raw material prices, and geopolitical factors can impact the packaging industry. Companies are focusing on resilient supply chains, diversification of sourcing, and inventory management strategies.
- **Regional Trends:** Different regions have varying packaging market dynamics and preferences. For example, Asia-Pacific is a rapidly growing market with increasing demand for sustainable and innovative packaging solutions.

## Key Management

- The management has relevant education and experience.
- The diverse age groups and range of industry experience within the management team fosters a balanced approach to decision-making, blending fresh perspectives with seasoned expertise.
- Mr. Balakumar is also the Chairman of the Development Council for Pulp, Paper, and Allied Industries, Government of India



<b>Key Management Persons Name -</b>	<b>T Balakumar</b>
<b>Age</b>	57
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 19+ years of experience in paper industry
<b>Qualification</b>	Bachelor of Mechanical Engineering
<b>Responsibility</b>	Looks after the overall business operations of the Company
<b>Other Directorships</b>	B.M.M. Paper Board Private Limited, Saradhambika Paper and Board Mills Private Limited, Subam Paper And Boards Private Limited etc.

<b>Key Management Persons Name -</b>	<b>Sudha Alagarsamy</b>
<b>Age</b>	55
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 19+ years of experience in paper industry
<b>Qualification</b>	Bachelor of Science and Master of Arts
<b>Responsibility</b>	Responsible for providing strategic advice and guidance to the members of the board
<b>Other Directorship</b>	Saradhambika Paper And Board Mills Private Limited, Sara Texcones Private Limited, B.M.M. Paper Board Private Limited etc.

**Ramasubbu Venkatesh, 57**, is an **Executive Director** with more than **8 years of experience in paper industry**. He has a degree of Bachelor in Textile Technology from P.S.G College of Technology, Coimbatore. He also holds degree of Master of Business Management from Madurai Kamaraj University and a post diploma in Quality Management. He is responsible for the sales and marketing of the company.

**Gurusamy Rathakrishna, 55**, is an **Independent Director** with more than **30 years of experience in management, operations and finance**. He holds a degree of Bachelor of Mechanical Engineering from Bangalore University. He is a Managing Director in M.T.K. Textiles (P) Limited. Also, he has other directorships in Shrish Spintex Private Limited, Grass Energies Private Limited, Shreemtk Cotton And Fibers Private Limited etc.

**Chelladurai Gunasingh Prithiviraj, 77**, is an **Independent Director** with more than **55 years of experience in paper industry**. He holds a degree of Bachelor of Science in Zoology and Botany from University of Madras. He is a Director in Standard Paper Containers Private Limited. Also he has other directorships in Bell Pins Private Limited, Nalco Metal Products Limited, Bell Products Private Limited etc.

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	32,927.45	50,829.89	49,386.46
Other Income	332.42	232.47	310.85
<b>Total Income</b>	<b>33,259.87</b>	<b>51,062.36</b>	<b>49,697.31</b>
<b>Expenses</b>			
Cost of Material Consumed	26,802.86	43,151.69	37,281.99
Changes in Inventories	-1,217.43	-298.62	183.91
Employee Benefit Expenses	1,397.13	2,142.09	2,120.60
Finance Cost	307.31	1,414.53	1,767.51
Depreciation and Amortization Expense	666.72	1,596.56	1,296.71
Other expenses	1,835.39	2,559.75	2,466.64
<b>Total Expenses</b>	<b>29,791.98</b>	<b>50,566.00</b>	<b>45,117.36</b>
<b>EBITDA</b>	<b>4,071.90</b>	<b>3,148.87</b>	<b>7,272.09</b>
<b>EBITDA Margin</b>	<b>12.37%</b>	<b>6.19%</b>	<b>14.72%</b>
CSR Provision	37.6	129.45	61.23
Prior Period Items	-	3.34	-
<b>Profit/(Loss) before tax</b>	<b>3,430.29</b>	<b>370.25</b>	<b>4,518.72</b>
<b>Tax Expense</b>			
Current tax	716.95	-	772.88
Deferred Tax	216.49	438.59	443.16
<b>Total Tax</b>	<b>933.44</b>	<b>438.59</b>	<b>1,216.04</b>
<b>Profit/(Loss) for the year</b>	<b>2,496.85</b>	<b>-68.34</b>	<b>3,302.68</b>
<b>Net Profit Margin</b>	<b>7.58%</b>	<b>-0.13%</b>	<b>6.69%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	162.77	162.77	162.77
Reserves and surplus	16,426.34	16,399.55	19,741.35
<b>Minority Interest</b>	<b>1.15</b>	<b>0.97</b>	<b>0.98</b>
<b>Total Equity</b>	<b>16,590.26</b>	<b>16,563.29</b>	<b>19,905.10</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	9,978.64	9,845.90	8,762.72
Long-term provisions	110.76	121.12	154.18
Deferred Tax Liabilities (Net)	185.86	624.45	1,067.61
<b>Total Non-current liabilities</b>	<b>10,275.26</b>	<b>10,591.47</b>	<b>9,984.51</b>
<b>3. Current liabilities</b>			
Short-term Borrowings	5,594.73	6,436.71	9,578.06
Trade Payables			
(i) Total outstanding dues of MSME	150.17	185.38	123.79
(ii) Total outstanding dues of creditors other than MSME	5,232.29	6,643.87	4,940.11
Other Current Liabilities	747.01	884.61	1,288.63
Short-term provisions	828.61	129.32	225.9
<b>Total Current liabilities</b>	<b>12,552.81</b>	<b>14,279.89</b>	<b>16,156.49</b>
<b>Total Liabilities</b>	<b>22,828.07</b>	<b>24,871.36</b>	<b>26,141.00</b>
<b>Total Equity and Liabilities</b>	<b>39,418.33</b>	<b>41,434.65</b>	<b>46,046.10</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	12,360.77	21,565.43	22,402.41
Goodwill on Consolidation	370.7	370.7	370.7



Particulars	FY 22	FY 23	FY 24
Capital Work-In-Progress	4,231.12	13.64	2,197.75
Non-current investments	970.55	1,008.75	1,047.86
Other Non- current Assets	2,531.46	975.06	422.02
<b>Total Non-Current assets</b>	<b>20,464.60</b>	<b>23,933.58</b>	<b>26,440.74</b>

## 2. Current assets

Inventories	5,645.19	4,221.20	5,733.30
Trade Receivables	8,880.53	9,481.82	11,076.29
Cash & Cash equivalents	786.98	761.98	1,093.06
Short-term loans and advances	2,172.78	2,682.57	1,209.19
Other Current Assets	1,468.27	353.5	493.51
<b>Total Current assets</b>	<b>18,953.75</b>	<b>17,501.07</b>	<b>19,605.35</b>
<b>Total Assets</b>	<b>39,418.35</b>	<b>41,434.65</b>	<b>46,046.09</b>

## Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-254.16	7,162.81	4,360.35
Net Cash Flow from Investing Activities	-13,621.40	-6,482.15	-4,319.94
Net Cash Flow from Financing Activities	14,113.89	-705.47	290.65

## Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	15.98	-0.16	20.53	EV/EBITDA	7.71	10.19	5.11
BV per share	101.925	101.759	122.290	Market Cap / Sales	1.07	0.70	0.72
<b>Operating Ratios</b>				P/E	9.51	-950.00	7.40
EBITDA Margins	12.37%	6.19%	14.72%	Price to Book Value	1.49	1.49	1.24
PAT Margins	7.58%	-0.13%	6.69%	<b>Solvency Ratios</b>			
Inventory Days	62.58	68.09	42.37	Debt / Equity	0.94	0.98	0.92
Debtor days	98.44	68.09	81.86	Current Ratio	1.51	1.23	1.21
Creditor days	74.69	71.15	65.62	Quick Ratio	1.06	0.56	0.86
<b>Return Ratios</b>				Asset Turnover	0.84	1.23	1.07
RoCE	12.67%	5.72%	19.99%	Interest Coverage Ratio	11.08	1.10	3.38
RoE	15.05%	-0.41%	16.59%				

## Interpretation –

### Profitability Ratios

- **EBITDA Margins:** Improved from 6.19% in FY23 to 14.72% in FY24, indicating improved operational efficiency.
- **PAT Margins:** Similarly, PAT margins increased from -0.13% in FY23 to 6.69% in FY24, suggesting a significant improvement in overall profitability.
- **Return on Capital Employed (ROCE):** Increased from 5.72% in FY23 to 19.99% in FY24, indicating efficient utilisation of capital.
- **Return on Equity (ROE):** Improved from -0.41% in FY23 to 16.59% in FY24, suggesting a better return for shareholders.

### Efficiency Ratios

- **Inventory Days:** Decreased from 68.09 days in FY23 to 42.37 days in FY24, indicating improved inventory management.
- **Debtor Days:** Increased from 68.09 days in FY23 to 81.86 days in FY24, suggesting potential issues with receivables collection.
- **Creditor Days:** Decreased from 71.15 days in FY23 to 65.62 days in FY24, indicating improved payment terms with suppliers.

Recommendation: **APPLY**

- **Asset Turnover:** Increased from 1.23 in FY23 to 1.07 in FY24, suggesting that the company is utilizing its assets more efficiently.

#### Solvency Ratios

- **Debt/Equity:** Decreased from 0.98 in FY23 to 0.92 in FY24, indicating a reduction in leverage.
- **Current Ratio:** Decreased from 1.23 in FY23 to 1.21 in FY24, suggesting adequate liquidity to meet short-term obligations.
- **Quick Ratio:** Improved from 0.56 in FY23 to 0.86 in FY24, indicating better liquidity.
- **Interest Coverage Ratio:** Improved significantly from 1.10 in FY23 to 3.38 in FY24, suggesting improved ability to service debt.

#### LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Gretex Corporate Services Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

##### Gretex Corporate Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rapid Multimodal Logistics Limited	8.49	84.00	Aug 30, 2024	69.05
2.	Akme Fintrade India Limited	132.0	120.00	Jun 26, 2024	111.75
3.	Associated Coaters Limited	5.11	121.00	Jun 06, 2024	231.80
4.	Owais Metal and Mineral Processing Limited	42.69	87.00	Mar 04, 2024	1,351.80
5.	Zenith Drugs Limited	40.68	79.00	Feb 27, 2024	141.40
6.	Interiors and More Limited	42.00	227.00	Feb 23, 2024	341.75
7.	AMIC Forging Limited	34.80	126.00	Dec 06, 2023	1,505.75
8.	Kalyani Cast Tech Ltd	30.11	139.00	Dec 06, 2023	566.45
9.	Transtel Seating Technologies Limited	49.98	70.00	Nov 06, 2023	74.40
10.	Shelter Pharma Limited	16.03	42.00	Aug 23, 2023	47.50

The company has handled 26 mandates in the past three years (including the current year)

\*CMP for the above-mentioned companies is taken as of 1<sup>st</sup> October 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and the remaining mandates have opened at premiums on the listing day.

## Recommendation -

Company has been in the industry since 2004 and has a good amount of experience in the industry.

The management overview of the company is good with the Promoters possessing relevant experience and education as well as having people from diverse background and age-groups indicating a balanced approach.

The P/E on a post-IPO basis is around 10.70 times which makes it fairly priced compared to its peers PE. Although Peers are not comparable on an apple-to-apple basis.

Subam Papers Limited has shown significant improvement in its financial performance over the past year. While the company's profitability is volatile, it has been resilient with EBITDA Margins dipping but recovering in the following year.

Company had been last rated by ICRA long term rating with [ICRA]A- (Stable). Ratings reflect a rating agency's opinion of the financial strength, operating performance, strategic position, and ability to meet its obligations by the company.

Subam Papers Limited is significantly affected by Raw material shortages and price fluctuation which results in huge volatility in profit margins, since company is dependent on exports as well for sourcing recycled paper. The company's geographical concentration in Tamil Nadu exposes it to regional risks as well.

Subam Papers Limited plans to invest ₹75 Cr. in its wholly owned subsidiary to expand manufacturing facilities and increase production capacity. This investment aims to improve profitability and reduce tax burdens. However, the subsidiary's financial performance is uncertain, having incurred losses in FY23. The company faces potential risks associated with raw material shortages, supply chain disruptions, and competition.

**Thus, for the above-stated reasons, knowledgeable investors can APPLY to this IPO.**

Company operates in a promising industry with significant growth potential as evidenced by the changing consumer preferences. However, it faces stiff competition from larger, well-resourced players who benefit from economies of scale as well as from unorganised players since recycled paper-based mills are not very capital intensive. Company's strategy of producing odourless paper, investing in green energy to use as an energy source as well as limiting exposure to concentrated buyers or suppliers indicates company's ability to adapt to the market, combined with the government support and proximity to Thambaraparani River and the upcoming Vizhinjam Seaport, it sets the company up for potential success.

Therefore, an investment in Subam Papers Limited is recommended only for those with a long-term investment horizon, who understand the inherent risks and potential rewards associated with investing in a smaller player within a competitive market.

### Disclaimer

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