



SMERA RATINGS LIMITED

Maharashtra Paper Company (MPC)

Rating Rationale

February 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.90	SMERA B+/Stable (Assigned)
Letter of Credit*	3.40	SMERA A4 (Assigned)
Letter of Credit (proposed)	4.00	SMERA A4 (Assigned)

*Includes Bill Discounting as a sublimit to the extent of Rs.0.40 crore

SMERA has assigned ratings of **'SMERA B+' (read as SMERA single B plus)** and **'SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of Maharashtra Paper Company (MPC). The outlook is **'Stable'**. The ratings derive comfort from the firm's established operations and experienced management. The ratings also draw comfort from the firm's above-average financial risk profile. However, the ratings are constrained by the firm's small-scale operations amidst intense competition in the paper industry. The ratings are also constrained by the firm's low profitability.

MPC, established in 1965, is a Pune-based partnership firm engaged in trading of paper products. MPC benefits from its experienced management. Mr. Kiran Shah, partner of MPC, has 23 years of experience in the paper industry. The firm's above-average financial risk profile is marked by gearing (debt-to-capital ratio) of 0.39 times as on March 31, 2014, interest coverage ratio of 2.07 times in FY2013-14 (refers to financial year, April 01 to March 31) and debt service coverage ratio (DSCR) of 2.07 times in FY2013-14.

MPC has small-scale operations marked by revenues of Rs.51.92 crore in FY2013-14. The firm faces intense competition from several players in the unorganized segment of the paper industry. MPC's low profitability is reflected in operating profit margin of 1.00 per cent and net profit margin of 0.57 per cent in FY2013-14. The firm's operating profit margin has declined from 1.48 per cent in FY2012-13 to 1.00 per cent in FY2013-14.

Outlook: Stable

SMERA believes MPC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm scales up its operations while registering strong improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case the firm registers decline in revenues and profit margins, or in case of deterioration in the firm's capital structure.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

MPC, established in 1965, is a Pune-based partnership firm. The overall operations of the firm are currently managed by Mr. Kiran Shah, Mr. Prakash Shah, Mr. Deepak Shah and Mr. Mahavir Shah. MPC undertakes trading of paper and paper products. The firm is a distributor for Stora Enso, Asia Pulp & Paper Limited, International Paper, JK Paper Limited, Bindal Papers Limited and Ahlstrom. MPC deals in a variety of paper products such as printing paper, notebooks, magazines, copier paper, packaging boards, maplitho paper and kraft paper. The firm also manufactures paper cups and labels. MPC derives ~90 per cent of its total revenues through trading.

For FY2013-14, MPC reported profit after tax (PAT) of Rs.0.30 crore on total income of Rs.51.92 crore, as compared with PAT of Rs.0.42 crore on total income of Rs.45.28 crore in FY2012-13. The firm's net worth stood at Rs.5.25 crore as on March 31, 2014, as compared with Rs.4.76 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi, Vice President – Operations Tel: +91-22-67141107 Cell: +91 9819293790 Email: ashutosh.satsangi@smera.in	Tel: +91-22-67141128 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.