

May 13, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	11.63	SMERA B+/Stable (Assigned)
Cash Credit	2.25	SMERA B+/Stable (Assigned)
Cash Credit (proposed)	2.80	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as SMERA single B plus) to the Rs.16.68 crore fund-based bank facilities of Marudhar Polysacks Private Limited (MPPL). The outlook is '**Stable**'. The rating draws comfort from the company's reputed clientele. However, the rating is constrained by the company's short operational track record and modest-scale operations. The rating is also constrained by the company's debt-funded capex and stretched liquidity position.

MPPL, incorporated in 2012, is a Jaipur-based company engaged in manufacturing of polypropylene (PP) woven bags. MPPL caters to several reputed customers such as Binani Cements, Wonder Cements, Shree Cements and UltraTech.

MPPL has small-scale operations marked by operating income of Rs.24.33 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company has undertaken debt-funded capex of Rs.13.65 crore for expansion of installed production capacity (from 27 lakh bags per month to 75 lakh bags per month). The project cost was funded through bank loan of Rs.9.00 crore and promoters' funds of Rs.5.40 crore. The new capacity is likely to be operational by June 2015. MPPL's stretched liquidity position is evidenced by high utilisation (~95 per cent) of working capital limit during October 2014 to March 2015. SMERA believes MPPL's working capital requirements may increase further following the commissioning of the new production facility. The company's ability to generate healthy cash flows for timely servicing of debt is a key rating sensitivity.

Outlook: Stable

MPPL's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers healthy cash flows on the back of substantial growth in revenues and sustained improvement in profit margins and capital structure. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position, or in case of decline in the company's revenues and profit margins.

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About the company

MPPL, incorporated in 2012, is a Jaipur-based company promoted by Mr. Sandeep Lodha. MPPL is engaged in manufacturing of polypropylene (PP) woven bags used in packaging of cement, food grains and sugar. The company has a manufacturing unit in Jaipur, with installed capacity of 27 lakh bags per month.

For FY2013–14, MPPL reported profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.24.33 crore, as compared with net loss of Rs.0.19 crore on operating income of Rs.13.24 crore in FY2012–13. The company's net worth stood at Rs.2.90 crore as on March 31, 2014, as compared with Rs.2.79 crore a year earlier.

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