

February 19, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan	11.63	<b>SMERA BB-/Stable</b> <b>(Upgraded from SMERA B+/Stable)</b>
Cash Credit	5.05	<b>SMERA BB-/Stable</b> <b>(Upgraded from SMERA B+/Stable)</b>

SMERA has upgraded the rating of the abovementioned bank facility of Marudhar Polysacks Private Limited (MPPL) to '**SMERA BB-**' (read as **SMERA Double B minus**) from '**SMERA B+**' (read as SMERA B plus). The outlook is '**Stable**'. The rating upgrade reflects significant improvement in the company's scale of operations and business risk profile.

The above mentioned rating continues to draw comfort from the company's reputed clientele such as Binani Cements, UltraTech, JK cements and Directorate General of Supplies and Disposals (DGS & D) among others. 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 moderate financial risk profile, working capital intensive operations and susceptibility of profit margins to volatility in raw material prices.

### Update

MPPL has registered significant improvement in scale operations in FY2015-16 (from April to January) due to undertaking 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 commercial operations of new unit have started from May 2015. This has resulted in total income of Rs. 41.15 crore in FY2015-16 (Provisional 10 months).

MPPL reported net profit of Rs.0.05 crore on total income of Rs.24.93 crore in FY2014-15, as compared with net profit of Rs.0.12 crore on total income of Rs.24.33 crore in FY2013-14.

### 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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**Rating Sensitivity Factors**

- Further ability to scale up operations through debt funded capex plan
- Meeting debt obligation through cash flow from operations
- Better working capital management

**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 75 lakh bags per month.

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