February 29, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.40	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Term Loan	13.20	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee*	0.50	SMERA A4+ (Upgraded from SMERA A4)

** Letter of credit of Rs. 0.50 crore as sublimit*

SMERA has upgraded the rating of the Rs.17.60 crore and the Rs.0.50 crore bank facilities of Maple Panels Private Limited (MPPL) to **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+ (read as SMERA A four plus)** from 'SMERA B+' (read as SMERA B plus) and 'SMERA A4' (read as SMERA A four) respectively. The outlook is **'Stable'**. The ratings upgrade is in view of the improved profitability, coverage indicators and liquidity position of the company. The ratings continue to draw comfort from the experienced management. However, the ratings are constrained by the modest scale of operations, susceptibility of profit margins to volatility in raw material prices and fluctuations in foreign exchange rates.

Update

MPPL reported operating margin of 16.47 per cent in 9MFY2015-16 (refers to period, April 01 to December 31), as compared with 14.47 per cent in FY2014-15. The company's net profit margins improved to 4.63 per cent in 9MFY2015-16 from 3.66 per cent in FY2014-15 due to decline in the raw material cost. The gearing level (debt-to-equity) improved to 0.80 times in 9MFY2015-16 from 1.14 times as on March 31, 2015 and 1.58 times as on March 31, 2014 due to repayment of existing debt and increase in tangible net worth.

The interest coverage ratio (ICR) improved to 3.43 times in 9MFY2015-16 from 2.98 times in FY2014-15 and 2.15 times in FY2013-14. The debt-service- coverage ratio (DSCR) remained moderate at 1.30 times in 9MFY2015-16 and 1.34 times in FY2014-15 due to high term loan obligation. Net cash accruals improved from Rs. 4.07 crore in FY2013-14 to Rs. 6.32 crore in FY2014-15 due to improvement in profitability. Net cash accrual to total debt (NCA to TD) stood at 0.38 times in FY2014-15 as against 0.21 times in FY2013-14.

Rating Sensitivity Factors

- Sustained improvement in revenues and profitability
- Deterioration in capital structure and working capital cycle
- Debt – funded capex

Outlook: Stable

SMERA believes MPPL will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in scale of operations while maintaining profit margins and achieving improvement in the financial risk profile. The outlook may be revised to 'Negative' if it fails to achieve the projected scalability amidst intensifying competition or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded capital expenditure or working capital requirements.

About the Company

MPPL (formerly known as Resham Polyolefines Limited) is a Gujarat-based company incorporated in 2003. The company is engaged in the manufacture of plain and pre-laminated particle boards since November 2011 and has an installed capacity of 54,000 cubic meters per annum. The overall operations of the company are managed by Mr. Pradeep Lohia and Mr. Ankur Agarwal.

For 2014-15, MPPL reported profit after tax (PAT) of Rs.2.30 crore on operating income of Rs.62.77 crore as against PAT of Rs.0.72 crore on operating income of Rs.43.15 crore in FY2014-15.

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