

Press Release

Maruti Papers Limited (MPL)

September 04, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 67.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE triple B minus**) on the Rs. 67.00 crore bank facilities of Maruti Papers Limited. The outlook is '**Stable**'.

Incorporated in 1988- Maruti Papers Limited (MPL) is a Uttar Pradesh based company engaged in the manufacturing of eco-friendly recycled multilayer Kraft Paper with installed capacity of 1,00,000 MTPA. The company was promoted by the Bansal family and currently the operations are managed by Mr. Rajeshwar Kumar Bansal, Mr. Atul Bansal, Mrs. Anjana Bansal and Mrs. Shipra Bansal.

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

MPL has established track record of over two decade. Promoter Mr. Rajeshwar Bansal is associated with the company since inception and is managing the day to day operations of the company. The management over the years has successfully implemented the expansion of the installed capacity from 6,000 MTPA to current capacity of 1,00,000 MTPA. Further, the long track record has helped the company to establish healthy relationship with customers and suppliers.

Healthy financial risk profile:

The healthy financial risk profile of the company is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs.36.11 crore as on 31st March'2018 (Prov.) as compared to Rs.33.62 crore in the previous year. The gearing stood comfortable at 0.86 times as on 31st March'2018 (Prov.) as compared to 0.95 times in the previous year. The total debt of Rs.30.88 crore as on 31st March'2018 (prov) consists of working capital facilities of Rs.22.23 crore and long term debt of Rs. 8.65 crore. The interest coverage ratio (ICR) of the company stood comfortable at 3.05 times in FY2018 (Prov.) as compared to 2.60 times in FY2017. The debt service coverage ratio (DSCR) of the company stood at 1.58 times in FY2018 (Prov.) as compared to 1.46 times in FY2017. The net cash accruals against the total debt stand comfortable at 0.24 times in FY2018 (Prov.) compared to 0.19 times in FY2017.

Healthy growth in operating income:

The operating income of the company stood at Rs.237.42 crore in FY2017-18 (prov) increased from Rs 139.36 crore in FY 2015-16 thereby reporting a healthy cumulative annual growth rate (CAGR) of 30.52 percent during the last 2 years. The healthy growth in revenue is on account new addition of customers across geographies. Further the company has achieved the operating income of Rs.59.78 crore in Q1FY2018-19 (prov) and has confirmed order of ~Rs. 21.06 crore which is likely to be executed by the month of September'2018.

Weaknesses

Exposed to raw material price fluctuation risk:

The key raw material for the company is the waste paper procured domestically as well as imported from the countries like US, Britain, UAE and etc. the prices of the waste paper is fluctuating and highly dependent on the supply of the paper. The team has come across the instances of increase in the price of the waste paper in the past (in the month of Jan to April) which can adversely impact of the profitability profile of the company.

Debt funded capex plan:

Company is going to add a new 8 MW captive power plant along with increase in current capacity from 1,00,000 MTPA to 132000 MTPA. The total cost of project is likely to be ~ Rs.36.33 crore, to be funded from fresh term loan of Rs.24.28 crore and rest from internal accruals and promoters own contribution. The project is expected to be completed by the last quarter of FY'2019. Timely completion of the project and successful ramp up of operations will be a key rating sensitivity factor.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuite believes MPL will maintain a stable business risk profile in the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' in case of timely completion of the project while achieving sustainable growth in revenue and profitability and maintaining healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any delay in timely completion of project leading to lower than expected revenue and accruals which may in turn put pressure in debt service obligation leading to deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	237.42	188.47	139.36
EBITDA	Rs. Cr.	12.39	11.02	8.73
PAT	Rs. Cr.	2.07	1.84	1.07
EBITDA Margin	(%)	5.22	5.85	6.26
PAT Margin	(%)	0.87	0.98	0.77
ROCE	(%)	10.32	10.49	9.87
Total Debt/Tangible Net Worth	Times	0.86	0.95	2.18
PBDIT/Interest	Times	3.05	2.60	2.92
Total Debt/PBDIT	Times	2.47	2.88	4.64
Gross Current Assets (Days)	Days	104	99	117

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Aug-2017	Cash Credit	Long Term	INR 10.00	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	INR 9.50	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Long Term	INR 0.50	ACUITE A3 (Assigned)
	Letter of Credit	Long Term	INR 10.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	32.71	ACUITE BBB-/Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head – Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@acuite.in</p>

About ACUITE

Disclaimer: An Acuite 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. Acuite 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite 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.acuite.in) for the latest information on any instrument rated by Acuite.