

Press Release

Maruti Papers Limited

October 07, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) and short-term rating of **'ACUITE A3'** (read as **ACUITE A three**) on the Rs. 67.00 crore bank facilities of MARUTI PAPERS LIMITED. The outlook is **'Stable'**.

Shamli (U.P.) based, Maruti Papers Limited (MPL) was incorporated in the year 1988 and it commenced commercial operation in 1990. The company is promoted and managed by Mr. Rajeshwar Kumar Bansal. Mr. Atul Bansal, Mr. R.K. Bansal, Mrs. Anjana Bansal, the company is engaged in the production of eco-friendly recycled multilayer Kraft Paper. The company has an installed capacity of 1,35,000 MTPA. MPL has expanded its installed capacity along with upgradation to latest technology.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MPL to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operation**

MPL has an established track record of over two decades. The Promoter, Mr. Rajeshwar Bansal, is associated with the company since its inception, and he is managing 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 1,35,000 MTPA. Further, the long track record has helped the company to establish healthy relationship with customers and suppliers. The extensive experience of the promoters is reflected through its healthy revenue growth rate. The company has reported revenues of Rs. 253.35 crore in FY 2019 (Provisional), which has grown at a compounded annual growth rate (CAGR) of 22 per cent over the last three years through FY 2016.

- Above average financial risk profile:**

MPL's financial risk profile is moderate, marked by moderate net worth, average gearing and above average debt protection metrics.

MPL's net worth is moderate estimated at around Rs. 39.94 crore as on March 31, 2019 (Provisional). The net worth levels have seen significant improvement over the last three years through FY 2019 on account of healthy accretion to reserves during the same period.

The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.20 and 2.53 times respectively as on March 31, 2019 (Provisional). The leverage levels have marginally deteriorated to around 1.20 times as on March 31, 2019. MPL's moderate cash accruals to the tune of about Rs. 8.00 crore have supported in minimizing the reliance on external debt lead to moderate gearing and debt levels of 1.20 times and Rs. 48.02 crore as on March 31, 2019 (Provisional). MPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.10.00-11.40 crores, which are comfortable to service its repayment obligations while supporting about 6 per cent of the routine capex and incremental working capital requirements. As a result, the gearing, however, is expected to moderate to around 1.05 times as on March 31, 2020 on back of healthy accretion to reserves.

Weaknesses

• Working capital intensive operations

The company operations are working capital intensive marked by gross current assets (GCA) of 201 days for FY2019 (Provisional) as against 172 days in the previous year. Further, the high GCA days are mainly on account of high debtor period that stood high at 162 days for FY2019 (Provisional) as against 140 days for FY2018. The debtor's stood high at Rs. 32.19 crore as on 31 March, 2019; it was mainly due to major amount of billing done in the month of March, 2019, which amounted to Rs. 15.92 crore. MPL extends a credit period of 90-120 days to its customers depending on the length of relationship, the payments however are realized with some delays. The Inventory level stood at 22 days for FY2019 (Provisional) as against 24 days for FY2018. The company's cash credit limit was recently enhanced to Rs. 7.50 crore from Rs. 3.50 crore. The working capital limits over the last 11 months period ending June, 2019 was utilized at an average of 61 per cent; while the peak utilization was high at around 90 per cent during the same period. Acuite believes that the MPL's operations are likely to remain working capital intensive on account of high credit period extended to its customers.

• Exposed to raw material price fluctuation risk:

MPL manufactures kraft papers, which is sold to key customers such as Empire Multipack Private Limited, Shitla Papers Private Limited, Damodar Tissues Private Limited amongst others, where the company has limited bargaining power due to high competitive pressures within the industry. The company on the other hand procures waste papers as a raw materials through import/domestic markets, the prices of which have remained volatile in the past.

Acuite believes that the operating margins of the company are likely to remain susceptible to volatility in raw material prices over the medium term.

Rating Sensitivity Factor

- Drop in profitability due to raw material price fluctuations.
- High debt funded capex plan leading to deterioration in debt protection indicators.

Material Covenants

None

Liquidity position: Adequate

The company have adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. MPL generated cash accruals of Rs. 8.00 crore in FY2019 (Provisional) as against debt maturity obligation of about Rs. 2.62 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 10.36 crore to Rs. 13.52 crore during FY2020-22 against repayment obligations within the range of Rs. 2.28 crore- Rs. 3.64 crore for the same period. The company's working capital operations are moderate marked by gross current asset (GCA) days of 117 days in FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs. 0.63 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.58 times as on 31 March, 2019 (Provisional).

Outlook: Stable

Acuite believes that MPL will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and established track record of operation. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in working capital management, leading to increase in reliance on debt.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	253.35	239.96	188.49
EBITDA	Rs. Cr.	13.79	13.68	11.04
PAT	Rs. Cr.	2.58	2.44	1.84
EBITDA Margin	(%)	5.44	5.70	5.86
PAT Margin	(%)	1.02	1.02	0.98
ROCE	(%)	9.99	11.73	10.49
Total Debt/Tangible Net Worth	Times	1.20	0.84	0.95
PBDIT/Interest	Times	3.59	2.75	2.60
Total Debt/PBDIT	Times	3.58	2.23	2.88
Gross Current Assets (Days)	Days	117	105	101

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Sept-2018	Cash credit	Long term	33.00	ACUITE BBB-/Stable (Reaffirmed)
	Term loan	Long term	32.71	ACUITE BBB-/Stable (Reaffirmed)
	Proposed long term	Long term	0.79	ACUITE BBB-/Stable (Assigned)
	Bank guarantee	Short term	0.50	ACUITE A3 (Reaffirmed)
16-Aug-2017	Cash credit	Long term	10.00	ACUITE BBB-/Stable (Assigned)
	Term loan	Long term	9.50	ACUITE BBB-/Stable (Assigned)
	Bank guarantee	Short term	0.50	ACUITE A3 (Assigned)
	Letter of credit	Short term	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. Crore)	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 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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