

March 27, 2014

**CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF  
THREE M PAPER MANUFACTURING COMPANY PRIVATE LIMITED**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	36.60	CARE BBB- (Triple B Minus)	Reaffirmed
<b>Total Facilities</b>	<b>36.60</b>		

**Rating Rationale**

The reaffirmation of the rating assigned to the bank facilities of Three M Paper Manufacturing Company Private Limited (TMPM) continue to derive strength from the promoters' long experience in the paper board industry, commissioning of additional capacities, moderate capital structure, comfortable working capital cycle and dependence on the pharmaceutical and Fast Moving Consumer Goods (FMCG) industries, which are relatively less vulnerable to economic cyclicalities.

The rating, however, continues to be constrained by the presence of TMPM in a fragmented and competitive industry resulting in low bargaining power, significant debt-funded capital expenditure undertaken and decline in profitability in FY13 (refers to the period April 01 to March 31).

The ability of the company to achieve optimum utilizations from additional capacities and to derive the envisaged operational efficiencies from the power plant, thereby enhancing its profitability as envisaged are the key rating sensitivities.

**Background**

TMPM, incorporated in 1989 is engaged in the manufacturing of coated/uncoated duplex paper boards used on industrial packaging. Its manufacturing facility is located at Kheri-Chiplun (near Ratnagiri) with an installed capacity of 60,000 metric tonnes per annum (MTPA) as on February 28, 2014 to manufacture duplex paper board made out of recycled waste papers (95%) & pulp (5%). TMPM procures recycled waste paper and chemicals primarily from the domestic market (around 80%-85%) through various dealers and agents. The manufacturing is backed by confirmed orders from various distributors, agents and dealers, who in turn have tie-ups with converters that carry out printing jobs for the end-user customers. These paper boards are mainly used for packaging in pharmaceuticals and fast moving consumer goods industries like cosmetics, health care, readymade garments, instant food, match-boxes, incense sticks, cigarette, etc.

During FY13, TMPM reported a net profit of Rs.3.20 crore on a total income of Rs.120.44 crore as compared with a PAT of Rs.3.64 crore on a total income of Rs.110.51 crore for FY12.

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<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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