APRIL 21, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	39.86	**CARE BB+ (Double B Plus)**	Revised from CARE BBB- [Triple B Minus]
Total Facilities	**39.86 (Rupees Thirty Nine Crore and Eighty Six Lakh only)**		

Rating Rationale

The revision in the rating assigned to the bank facilities of Three M Paper Manufacturing Private Ltd (TMPM) is mainly on account of decline in profitability during FY15 (refers to the period April 1 to March 31) and 11MFY16 leading to deterioration in debt coverage indicators, capital structure as well as liquidity position of the company.

The rating is further constrained by the company's presence in highly competitive and fragmented industry resulting in low bargaining power, low and fluctuating profit margins with susceptibility to volatility in input prices and foreign exchange rates. The rating is further constrained by company's weak debt coverage indicators and its working capital intensive nature of operations.

The aforementioned weaknesses are partially offset by the strength derived from the promoters' long experience in the paper board manufacturing industry, moderate capital structure and dependence on the pharmaceutical and Fast Moving Consumer Goods (FMCG) industries.

Going forward, the ability of the company to increase its scale of operations, achieve optimum utilizations and derive benefits as envisaged from the captive power plant thereby improving its profitability and efficiently manage its working capital remain the key rating sensitivities.

Background

TMPM, incorporated in 1989, is engaged in the manufacturing of coated/uncoated duplex paper boards used in industrial packaging. TMPM's manufacturing facility is located at Kheri-Chiplun (near Ratnagiri) with an installed capacity of 66,000 metric tonnes per annum (MTPA) as on March 2015, 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 79% in FY15) 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.

In FY15, the company reported a turnover of Rs.153.80 crore (vis-à-vis Rs.145.47 crore in FY14) with a net loss of Rs.3.14 crore (vis-à-vis net profit of Rs.3.38 crore in FY14).Furthermore, the company has achieved a turnover of Rs.148.56 crore in 11MFY16 with an operating profit of Rs.10.32 crore.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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