FEBRUARY 06, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF THREE M PAPER MANUFACTURING PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	46.25 (enhanced from Rs.36.30 crore)	**CARE BBB- (Triple B Minus)**	Reaffirmed
Total Facilities	**46.25**		

Rating Rationale

The reaffirmation of ratings assigned to the bank facilities of Three M Paper Manufacturing Private Ltd (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 cyclicality.

The rating strengths are however tempered by the presence of the company in fragmented and competitive industry resulting in low bargaining power, significant debt-funded capital expenditure undertaken and decline in profitability in 9MFY15.

Going forward, the ability of the company to achieve optimum utilizations from additional capacities and derive benefits from the captive power plant thereby enhancing its profitability as envisaged would remain the key rating sensitivities.

Background

Three M Paper Manufacturing Company Private Limited (TMPM), incorporated in 1989, is engaged in 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 60,000 metric tonnes per annum (MTPA) as on December 31, 2014 to manufacture duplex paper board made out of recycled waste papers. 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.

In FY14 (refers to the period April 1 to March 31), the company has earned a PAT of Rs.3.38 crore (PY Rs. 3.20 crore) on total operating income of Rs. 138.88 crore (PY Rs. 120.44 crore).

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

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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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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