



The Mahabir Jute Mills Limited

Instrument	Amount In Rs. Crore	Rating Action As on April 15
Fund based limits	17.13 (Reduced from Rs.18.93 crore)	[ICRA]BB- reaffirmed; outlook revised to 'Negative' from 'Stable'
Non Fund based limits	4.18 (Enhanced from Rs.2.38 crore)	[ICRA]A4; reaffirmed

ICRA has reaffirmed its long-term rating on the Rs. 17.13 crore (reduced from Rs. 18.93 crore*) long term fund based limits of The Mahabir Jute Mills Limited (MJML)† at [ICRA]BB- (pronounced ICRA double B minus). ICRA has also reaffirmed its short-term rating on the Rs.4.18 crore (enhanced from Rs 2.38 crore) short term non fund based limits of MJML at [ICRA]A4 (pronounced ICRA A four). The outlook on the long-term rating has been revised to 'Negative' from 'Stable'.

The revision in outlook takes into account the expected stress on MJML's cash flows, translating into reduced debt servicing ability of the company, owing to pressure on operating margins due to increased costs of power and raw materials, as well as the company's sizeable debt repayment burden for FY16. Further, the ratings continue to be constrained by the intensely competitive and fragmented nature of the packaging industry, with the presence of numerous players and substitute products which has resulted in pressure on operating margins in the past two years, pressure on utilisation of the jute division and supplier concentration risk with top two suppliers accounting for about 70% of MJML's total purchases. However, the ratings derive comfort from MJML's experienced management and its established relations with key customers which have enabled it to secure repeat orders in the past.

Going forward, the company's ability to bring about a sustained improvement in its profitability and also improve its liquidity position will be the key rating sensitivities.

About the company

MJML was incorporated in 1935 by the Kamani family to manufacture jute bags, primarily for meeting its in-house requirements for sugar packaging. Currently, the majority equity stake in MJML is held by the Maskara family. MJML manufactures jute products such as sacks and hessian, and poly-viscose synthetic yarn. MJML entered the synthetic yarn business in 1999. It has an installed capacity for manufacturing 9,100 tonnes per annum (tpa) of jute and 4,400 tpa of synthetic yarn, at its manufacturing facility in Gorakhpur, Uttar Pradesh.

Recent Results

The company reported, on a provisional basis, a net loss of Rs. 0.37 crore on an operating income of Rs 121.83 crore in FY15, as against a net loss of Rs 1.36 crore on an operating income of Rs 117.50 crore in FY14.

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For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel. No. +91 124 4545304)
sabyasachi@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

* 100 lakh=1 crore= 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500