

Modern Laminators Limited

Instrument	Amount (Rs. crore [^])	Rating Action
Term Loans	1.41	[ICRA]BB+ (Stable); re-affirmed
Fund-based, Long-term facilities	10.00	[ICRA]BB+ (Stable); re-affirmed
Non-fund Based, Short-term facilities	6.00	[ICRA]A4+; re-affirmed
Unallocated Limits	0.59	[ICRA]BB+ (Stable)/[ICRA]A4+; re-affirmed

ICRA has re-affirmed its long term rating at **[ICRA]BB+** (pronounced ICRA double B plus) on the Rs. 10.00 crore long-term fund based facilities and the Rs. 1.41 crore term loans of Modern Laminators Limited (MLL). ICRA has also re-affirmed its short-term rating at [ICRA]A4+ (pronounced ICRA A four plus) on the Rs. 6.00 crore short-term non-fund based facilities of MLL. ICRA has further re-affirmed the ratings at [ICRA] BB+ / [ICRA]A4+ on the Rs. 0.59 crore unallocated limits of MLL. The outlook on the long-term rating is **Stable**.

The ratings re-affirmation takes into account the flat revenue growth of the company during FY2015 and its subdued operating margins due to high competitive pressures. The overall financial risk profile of the company continues to be moderate, characterised by healthy capital structure and strong debt protection metrics.

The ratings continue to factor in the highly competitive industry structure with low entry barriers and limited product differentiation; the vulnerability of profitability to fluctuations in polymer prices and the low bargaining power of the company with its customers and suppliers. The ratings, however, favourably factor in the established track record of the promoters in the poly-woven sacks industry and the favourable long-term demand prospects from end-user fertiliser and cement industries, wherein the company has established relationships with its customer base.

Going forward, the company's ability to scale up its operations along with improving its profitability while prudently managing its working capital requirements will be the key rating sensitivities.

Company Profile

Modern Laminators Limited (MLL), the flagship company of the Modern Group, was established in Gorakhpur (Uttar Pradesh) in 1975 by Mr. Kishanlal Bathwal as an ancillary unit to the Gorakhpur plant of the Food Corporation of India (FCI). The company initially manufactured jute bags used in packaging. In 1999, MLL began manufacturing high density polyethylene (HDPE) and polypropylene (PP) woven sacks for the fertiliser and cement industries. The company has manufacturing facilities at Gorakhpur as well as Ahmedabad (Gujarat). MLL has an installed capacity of 7,900 metric tonnes per annum (MTPA) at its Gorakhpur unit, and 4,800 MTPA at the Ahmedabad unit (a total capacity of 12,700 MTPA for woven sacks/bags).

Group Company Profile

MLL is part of the Modern Group of companies, which also includes Modern Packaging Private Limited (MPPL) and Platinum Tie-up Private Limited (PTPL). MPPL is engaged in manufacturing poly-woven sacks with a capacity of ~5,300 MTPA at its manufacturing facility in Gorakhpur. Another group company, PTPL, began operations with ~5,000 MTPA of block-bottom bags / poly-woven sacks at its Ahmedabad plant in FY2013.

Recent Results

During FY2015, MLL reported an operating income (OI) of Rs. 119.04 crore and a profit after tax of Rs. 0.71 crore, as against an OI of Rs. 119.71 crore and a profit after tax of Rs. 0.91 crore for FY2014.

June 2016

[^] 100 lakh = 1 crore = 10 million



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