

Malar Paper Mills Pvt. Ltd.

Instrument	Amount (Rs. crore)	Rating Action August 2016
Long-term, fund based facilities	6.50	[ICRA]B+ reaffirmed
Short-term, non-fund based limits	0.50	[ICRA]A4 reaffirmed
Proposed limits	9.00	[ICRA]B+/A4 reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs 6.50 crore¹ fund based facilities and the short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 0.50 crore non-fund based bank limits of Malar Paper Mills Private Limited (Malar Paper/the company)². ICRA has also reaffirmed the long-term rating of [ICRA]B+ and short-term rating of [ICRA]A4 to the Rs 9.00 crore proposed bank facilities of the company.

The reaffirmation of ratings consider the long standing track record of the promoters in the region, where they operate rice mills and solvent extraction unit, apart from Malar Paper; established relationship with dealers (mainly PWP) and end customers (for newsprint), which ensures repeat orders and favourable long term demand prospects for paper consumption in the domestic market. However, the ratings are constrained by the decline in revenues over the past two years ;company's moderate scale of operations that limits benefit from economies of scale; weak financial profile with thin profit margins, highly geared capital structure and stretched coverage indicators and highly fragmented and competitive industry, especially in the B-grade paper segment with low entry barriers and localized demand, which limits company's pricing flexibility and exposes the margin to volatility in raw material prices. ICRA also takes note of the power intensive nature of operations, with capacity utilization impacted by erratic power availability.

Company Profile

Malar Paper Mills Private Limited (MPMPL) was incorporated in 2006 as a private limited company to manufacture 42-110 gram per square metre (gsm) printing and writing paper (PWP) and newsprint. MPMPL's factory was setup in Kallur village, Pudukottai, Tamil Nadu and commercial production began in 2007. The factory has a capacity of 65 tonnes per day (TPD) / 21,000 metric tonnes per annum (MTPA). The factory uses recycled paper, both from domestic and international suppliers, as raw material to produce PWP and newsprint.

MPMPL is closely held by Mr. PL Padikkasu and his family. The promoter family has rich experience in conducting business in the locality, owning 5 rice mills and a solvent extraction plant. Mr. PL Padikkasu is the Managing Director whereas his sons, Mr. Periasamy and Mr. Balasubramanian are directors in the company. Mr. Periasamy looks after the day to day running of the company.

Recent results

According to provisional numbers the company registered a net profit of Rs 0.5 Crore on an operating income of Rs 47.5 in FY 2016 as against a net profit of Rs 0.03 Crore on an operating income of Rs 49.2 Crore in FY 2015.

August 2016

For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

¹ 100 lakh = 1 crore = 10 million

² For a 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: +91 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: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
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: +91 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: +91 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: +91 9821086490

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: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

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