



Press Release

JMC Paper Tech Private Limited

May 24, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	21.30	IVR BB+/ Stable (IVR Double B plus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	11.00	IVR A4+ (IVR A four plus)	Assigned	Simple
Total	32.30 (INR thirty-two crore thirty lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of JMC Paper Tech Private Limited (JMCPTPL) derives strength from promoters' extensive experience in the paper and pulp machinery business, comfortable capital structure, and improvement in coverage indicators during FY23. However, these ratings strengths are constrained by the facts that JMCPTPL had moderate scale of operations during FY23 and 9MFY24; competition in domestic and international markets, vulnerability of profitability to fluctuations in raw material prices and forex rates, and concentration of revenues in paper and pulp industry.

Rating Sensitivities

Upward Factors

- Significant improvement in scale of operations along with sustenance of profitability margins
- Improvement in working capital cycle.

Downward Factors

- Substantial decline in scale of operations or profitability, leading to deterioration in the financial risk profile; interest coverage of 2.5 times or below on a sustained basis.
- Any large debt funded capex or stretch in working capital cycle weakening the liquidity profile.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Promoters' extensive experience in the paper and pulp machinery business

Customers have consistently placed repeat orders with the company because of its well-established market presence and the two decades of experience that its main promoter, Mr. Rajni Patel, has in producing paper and pulp machinery. Additionally, the company's execution capabilities are supported by the in-house R&D team, which is supported by the promoter's technical expertise.

Comfortable capital structure

The company's capital structure stood comfortable as marked by a gearing ratio of 0.61 times as on March 31, 2023 (0.79 times as on March 31, 2022), the improvement in the gearing ratio is attributable to the repayment of term loans during FY23 coupled with the accumulation of profits during that year. However, TOL/TNW increased slightly and stood at 1.63 times as on March 31, 2023 (1.59 times as on March 31, 2022), this increase is attributable to the increase in current liabilities which increased on account of advance received from customers during FY23.

Improvement in coverage indicators during FY23

Coverage indicators as indicated by Interest coverage ratio improved to 6.08 times as on March 31, 2023 (4.46 times as on March 31, 2022) on account of decline in interest expenses coupled with improvement in EBITDA, and DSCR improved to 1.81 times as on March 31, 2023 (1.62 times as on March 31, 2022) on account of improvement in GCA during FY23.

Key Rating Weaknesses

Moderate scale of operations during FY23 and 9MFY24; competition in domestic and international markets

The company's revenue of Rs. 58.66 crore during FY2023 indicated that its scale of operations is moderate (9MFY24 – INR 57.18 Cr). Additionally, because fewer domestic orders were placed during FY2022–FY2023 compared to FY2021–FY2022, the company's revenue decreased. The business must contend with fierce competition from other suppliers of



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machinery for the production of paper in both domestic and foreign markets, particularly from Chinese producers. Nonetheless, the risk is somewhat reduced due to JMCPTPL's extensive track record and steady clientele.

Vulnerability of profitability to fluctuations in raw material prices and forex rates

Stainless steel, mild steel plate components, and other materials are the company's primary raw materials. Because the company has long-term fixed-price contracts, any negative movement in the price of raw materials could negatively affect the margins. Additionally, because it is part of the export market, the margin is subject to changes in the value of foreign currencies; however, raw material imports act as a natural hedge to some degree.

Concentration of revenues in paper and pulp industry

Because it only produces machinery for the paper and pulp industries, the company's revenues and profitability are vulnerable to any downturn in these sectors.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

[Default recognition policy](#)

Liquidity – Adequate

The Company is expected to have adequate liquidity marked by sufficient inflows to match its long-term debt repayment obligations from FY25-FY27. This coupled with low working capital utilization with average utilisation of ~53% during the last 7 months ended Feb 2024. Current ratio stood comfortable at 1.21 times as on March 31, 2023. Infomerics expects the liquidity position of the company will remain at an adequate level in medium term backed by a comfortable net working capital cycle.



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About the Company

JMC Paper Tech Private Limited was first formed in 2002 as JMC Engineers, a partnership organization. In 2012, it underwent a transformation into a private limited company. In addition to producing a full line of machinery for the pulp and paper sector, JMCPTPL offers turnkey solutions. In addition, the company offers a variety of services such as designing, building, and commissioning new machinery in addition to modernizing old gear. The company's production plant is situated in Ahmedabad, Gujarat's GIDC Sanand.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	67.82	59.64
EBIDTA	6.64	6.91
PAT	2.99	3.77
Total Debt	18.14	16.27
Tangible Net Worth	22.84	26.62
EBDITA Margin (%)	9.79	11.58
PAT Margin (%)	4.40	6.29
Overall Gearing Ratio (x) (including quasi equity)	0.79	0.61

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	0.72	IVR BB+/ Stable	-	-	-
2.	GECL	Long Term	0.58	IVR BB+/ Stable	-	-	-
3.	Cash Credit	Long Term	20.00	IVR BB+/ Stable	-	-	-
4.	Bank Guarantee	Short Term	9.00	IVR A4+	-	-	-
5.	Import/ Inland LC	Short Term	2.00	IVR A4+	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Oct 2024	0.72	IVR BB+/ Stable
GECL	-	-	Sep 2024	0.58	IVR BB+/ Stable
Cash Credit	-	-	-	20.00	IVR BB+/ Stable
Bank Guarantee	-	-	-	9.00	IVR A4+
Import/ Inland LC	-	-	-	2.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-JMCPaper-may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com