



## Press Release

### **Manipal Utility Packaging Solutions Private Limited**

**October 25, 2023**

#### **Ratings**

<b>Instrument Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)</b>
Long Term Bank Facilities	40.00	IVR BBB; Rating watch with Positive Implications (IVR Triple B; Placed on Rating watch with Positive Implications)	Rating reaffirmed and placed on rating watch	Simple
<b>Total</b>	<b>40.00</b>			

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

In light of the media news dated October 16, 2023, JK Paper Ltd. and Manipal Utility Packaging Solutions Pvt Ltd (MUPSPL) have entered into a share purchase agreement (SPA) for the acquisition of 100% shares of Manipal Utility Packaging Solutions Pvt Ltd (MUPSPL).

Infomerics has been given to understand from the company that, pursuant to the completion of acquisition Manipal Utility Packaging Solutions Private Limited shall become 100% subsidiary of JK Paper Ltd. and shall continue with its existing line of business supported by existing management. The acquisition is expected to be completed by November 2023.

Infomerics has taken note of the event and has placed the rating on watch with positive implications given the strong market position of JK Paper Ltd. and synergies in the business operations.

The rating continues to derive strengths from support from parent company and strong operational linkages, improvement in financial performance in FY2023 and comfortable capital structure. The rating is however constrained on account of the operating margins are susceptible to increase in the raw material prices and working capital intensive operations.



## Press Release

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics.

#### **Downward Factors**

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Deterioration in liquidity profile of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Support from Parent company and strong operational linkages**

Manipal Packaging Solutions Pvt. Ltd (MUPSPL) is 100% owned by Manipal Technologies Limited and there is cash flow fungibility, common management and operating linkages. Moreover, the parent supervises the operations of Manipal Packaging Solutions Pvt. Ltd (MUPSPL) and has common treasury functions with the later.

##### **Improvement in financial performance in FY2023**

The operating revenue of MUPSPL improved by 20.40% and stood at Rs. 148.39 Cr in FY23 Prov. as against Rs. 121.14 Cr in FY22 as a result of improved demand for packaging orders, and onboarding of new customers. The absolute EBITDA improved from Rs. 9.92 Cr. in FY22 Audited to Rs. 13.57 Cr. in FY23 Prov. supported by higher revenues supported by better pricing positively affecting the absorption of overhead costs. Consequent to the improved turnover, the company recorded positive PBT margin of 1.16% in FY23 Prov. as a result of increase overall growth in top-line. Return On Capital Employed stood at 6.93% in FY23 Prov. The company's ability to sustain the growth in its top line without compromise in margins will be a key rating monitorable going forward.



## Press Release

### **Comfortable capital structure**

The capital structure of the company remained comfortable marked by overall gearing ratio of 0.88x in FY23. Also, total indebtedness of the company marked by TOL/TNW remained comfortable at 1.37x as on March 31, 2023 Prov.

### **Key Rating Weaknesses**

#### **Operating margins are susceptible to increase in the raw material prices**

The EBITDA margins declined over the past years on account of increase in paper prices, and inability of the company to fully pass on to its customers. The margins are expected to remain moderate, and realisations shall be dependent on company's ability to negotiate with vendors, capitalising market opportunities, reducing wastage over the medium term.

### **Working capital intensive operations**

Operations are working capital intensive, as indicated by gross current assets of 177 days, on account of moderate inventory and high receivables of 47 days and around 130 days respectively. The group has to maintain inventory to cater to regular as well as ad hoc orders and offers credit of 2-3 months to its customers. With increasing revenue, working capital requirement will increase and will remain a key monitorable.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Parent & Group support](#)

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

### **Liquidity –Adequate**

The liquidity profile of the company is adequate marked by sufficient cash accruals vis-à-vis no debt repayment obligations in the near to medium term. The average utilisation of working capital limits stood moderate at ~89% for the last twelve months ended January-2023 providing adequate liquidity cushion. Further, by virtue of being a subsidiary of Manipal



## Press Release

Technologies Limited (MTL), Manipal Packaging Solutions Pvt. Ltd (MUPSPL) will receive need-based funding support from its parent company as and when required.

### **About the Company**

Manipal Utility Packaging Solutions Private Ltd (MUPSPL) is a 100% subsidiary of Manipal Technologies Limited. The company acquired the existing packaging businesses of MTL and Utility Print Pack Private Ltd in May 2014. The company delivers packaging solutions to diverse segments with a special focus on pharmaceutical, food and beverages, and personal products/toiletries segments by providing packaging mono-cartons, trays and holders and corrugated boxes.

### **Financials (Standalone):**

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	121.14	148.39
EBITDA	9.92	13.57
PBT	0.07	1.73
Total Debt	50.82	45.85
Tangible Net worth	50.43	52.16
EBITDA Margin (%)	8.19	9.15
PBT Margin (%)	0.05	1.16
Overall Gearing Ratio (times)	1.01	0.88

*\*Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**



## Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			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.	Cash Credit	Long-term	40.00	IVR BBB/ Rating watch with positive implications	IVR BBB/ Stable	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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## Press Release

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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
Cash Credit	-	-	Revolving	40.00	IVR BBB/ RWPI

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Manipal-oct23.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](http://www.infomerics.com)