



Press Release

Mayura Packaging Private Limited (MPPL)

June 09, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term/Fund Based Bank Facility-Term Loan	1.64	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Assigned
2.	Long Term/Fund Based Bank Facility-Cash Credit	6.00	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Assigned
3.	Short Term /Non-Fund Based Bank Facility-Letter of Credit	2.00	IVR A4 (IVR Single A Four)	Assigned
4.	Short Term /Non-Fund Based Bank Facility-Bank Guarantee	0.36	IVR A4 (IVR Single A Four)	Assigned
	Total	10.00		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Mayura Packaging Private Limited derives comfort from its extensive experienced promoters, established relationship with suppliers and customers and positive outlook for corrugated box market. However, the rating strengths are partially offset by modest scale of operations, below average financial risk profile, working capital intensive operations and highly fragmented industry.

Key Rating Sensitivities

Upward Factors

- Growth in scale of operations with improvement in profitability and cash accruals on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Improvement in working capital cycle and liquidity



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Downward Factors

- Any decline in the revenue and/or profitability impacting the debt protection metrics on a sustained basis.
- Moderation in the capital structure
- Any material stretch in working capital cycle impacting the liquidity

List of Key Rating Drivers with detailed description

Key Rating Strengths

Extensive experienced promoters:

The promoter of the company Mr. Balasundram have an experience of over three decades. Mr. Vijay mohan has an experience of over 15 years, Mr. Kasinathan has an experience of over 10 years whereas Mrs. Madhumitha has an experience of 2 years in manufacturing of corrugated boxes and mono boxes. The experience of the management enables them to operate the business efficiently.

Established relationship of the company with suppliers and customers:

The company has been engaged in manufacturing of corrugated boxes for about nine years. It has developed relations with its customers and suppliers. Companies like Britannia Industries Ltd, Kals breweries Private limited, United breweries Limited, John Distilleries Private Limited and Pepsico India holding Pvt Ltd are some of the key customers.

Positive outlook for Corrugated Box Market:

Corrugated Boxes are widely utilized in the packaging of food and beverages, chemicals, glassware and ceramics, paper, electronics, textiles, personal care and household products. The growth in these end use industries has propelled the demand for corrugated boxes. Moreover, online retailers use product specific corrugated boxes to keep the items safe from mechanical stress, it is positively influencing the market growth. The corrugated box market is expected to witness moderate growth during the next five years on account of customized packaging solutions by manufacturers to widen the customer base and investment by manufacturers in research & development to launch improved corrugated boxes.

Key Rating Weaknesses



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Modest scale of operations

The operating revenue of the company stood stagnant from past three years and the scale of the company is likely to be small in an intensely competitive industry. The operating revenue of the company stood at Rs. 41.72 crore in FY21 (Estimated) as against INR 41.31 crore in FY20.

Below Average Financial Risk Profile

The company has a low networth base of Rs.4.21 Crores in FY21 (Estimated) with an overall gearing at 1.59x in FY21 (Estimated) as against 2.49x in FY20. TOL/TNW stood remained high at 5.71x in FY21 (Estimated) as against 8.29x in FY20. DSCR also remained at a low level at 0.90x in FY21 (Estimated). The current ratio continues to remain low at 1.17x in FY21 (Estimated).

Working Capital Intensive Operations

The average collection period for FY20 is 99 days and inventory holding period is 80 days. This implies working capital intensive operations where much of the company's cash is locked up with the customers. On average, the company takes around 60-70 days to pay its suppliers. Also, the average utilization of the working capital facility stood at 79% for 12 months ending April 2021.

Highly fragmented Industry

The paper industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Stressed



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Liquidity remains stretched as the projected cash accruals is tightly matching with repayment obligation. The Company maintains unencumbered cash and bank balances of INR 0.34 Crore as on March 31st, 2020, and in INR 0.03 Crore (Estimated) as on March 31st, 2021. The current ratio stood 1.06x as on March 31st, 2020, and 1.17x (Estimated) as on March 31st, 2021. The company's working capital utilization also remains moderate at ~79% for the 12 months ended April 2021.

About the Company

Mayura Packaging Private Limited (MPPL) was incorporated on 3rd July 2012 at Coimbatore, Tamil Nadu. It is engaged in manufacturing of corrugated boxes. The company has established a fully automated plant at Coimbatore and installed capacity of the unit is 13500 MTs per annum.

Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	40.61	41.31
EBITDA	2.77	3.56
PAT	(0.46)	0.04
Total Debt	13.94	9.66
TNW	3.67	3.71
Ratios		
EBITDA Margin (%)	6.82	8.61
PAT Margin (%)	(1.13)	0.09
Overall Gearing Ratio (x)	3.80	2.61

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19



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1.	Term Loan	Long Term	1.64	IVR BB-/Stable Outlook	--	--	--
2.	Cash Credit	Long Term	6.00	IVR BB-/Stable Outlook	--	--	--
3.	Letter of Credit	Short Term	2.00	IVR A4	--	--	--
4.	Bank Guarantee	Short Term	0.36	IVR A4	--	--	--

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Term Loan	-	-	October, 2022	1.64	IVR BB-/Stable Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	6.00	IVR BB-/Stable Outlook
Short Term Non-Fund Based – Letter of Credit	-	-	--	2.00	IVR A4
Short Term Non-Fund Based – Bank Guarantee	-	-	--	0.36	IVR A4

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Mayura-packaging-lenders-9june21.pdf>