



PUDUMJEE

**PUDUMJEE PAPER PRODUCTS LTD.**

Registered Office

VJ: 965

23<sup>rd</sup> June, 2017

The Manager,  
Listing Department,  
**National Stock Exchange of India Ltd.,**  
Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051.

**Scrip Code:- PDMJEPAPER**

The Manager,  
Corporate Relationship Department,  
**BSE Ltd.,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
MUMBAI – 400 001.

**Scrip Code:- 539785**

Dear Sir/Madam,

Sub.: Intimation of Revision in Credit Rating under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

In accordance with Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Regulations") we hereby inform you that CRISIL has upgraded the rating of the Company as under:

Total Bank Loan Facilities Rated	Rs. 250 Crore
Long Term Rating	CRISIL A-/Stable (Upgraded from CRISIL BBB+/Positive)
Short Term Rating	CRISIL A2+ (Upgraded from CRISIL A2)
Rs. 50 crore Fixed Deposits (Enhanced from Rs. 35 crore)	FA/Stable (Upgraded from FA-/Positive)

A copy of CRISIL Rating Rationale is enclosed.

This is for your information and records.

Thanking you,

Yours Faithfully,

For **Pudumjee Paper Products Limited**

  
Vinay Jadhav  
Company Secretary  
Encl.: - A/a.



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## Ratings

**CRISIL**

An S&amp;P Global Company

### Rating Rationale

June 22, 2017 | Mumbai

### Pudumjee Paper Products Limited

*Ratings upgraded to 'CRISIL A-/FA/Stable/CRISIL A2+'*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.250 Crore
Long Term Rating	CRISIL A-/Stable (Upgraded from 'CRISIL BBB+/Positive')
Short Term Rating	CRISIL A2+ (Upgraded from 'CRISIL A2')
Rs.50 Crore Fixed Deposits (Enhanced from Rs.35 Crore)	FA/Stable (Upgraded from 'FA-/Positive')

1 crore = 10 million

Refer to annexure for Details of Instruments &amp; Bank Facilities

#### Detailed Rationale

CRISIL has upgraded its ratings on the bank facilities and fixed deposit programme of Pudumjee Paper Products Limited (PPPL) to 'CRISIL A-/FA/Stable/CRISIL A2+' from 'CRISIL BBB+/FA-/Positive/CRISIL A2'.

The upgrade reflects expectation of continued improvement in the credit risk profile over the medium term supported by better and sustainable profitability along with efficient working capital management. Operating Income grew by 10% in fiscal 2017 to Rs 515 crore and is expected to remain at a similar level over the medium term. The operating margin increased to 9.2% in fiscal 2017 from 6% led by reduction in power cost due to purchase of power from private players at a cheaper rate. The current capital expenditure (capex) programme for setting up a 132/100 kilovolt ampere (kVA) power line is expected to result in further reduction in power cost, due to lower transmission losses. With this, the operating margin is likely to remain at 9-10% over the medium term. Moreover, working capital requirement reduced sharply led by a decline in inventory to 42 days as on March 31, 2017, from 84 days a year earlier. Improvement in the operating margin coupled with reduction in working capital requirement led to a significant increase in net cash accrual, reduction in debt, and better return on capital employed and debt protection metrics.

The financial risk profile is expected to remain comfortable over the medium term, supported by a healthy network, low gearing, and adequate debt protection metrics. The network increased to Rs 146.7 crore and the gearing reduced to 0.53 time, as on March 31, 2017, from Rs 126 crore and 0.9 time, respectively, a year earlier. The interest coverage ratio also improved to about 5 times in fiscal 2017 from 2.5 times in the previous fiscal. Liquidity should remain comfortable over the medium term because of healthy net cash accrual, moderate capex, low bank limit utilisation, and moderate unencumbered investments in liquid funds. Net cash accrual increased to Rs 25.5 crore in fiscal 2017 from Rs 14.3 crore in the previous fiscal and is likely to remain at Rs 28-30 crore per fiscal over the medium term. Bank limit utilisation was low at 12% over the six months through March 2017. Short-term investments in liquid mutual funds stood at Rs 23.5 crore as on March 31, 2017.

The ratings reflect an established market position in the speciality paper segment supported by the extensive industry experience of the promoters and a wide product portfolio. The ratings also factor in a comfortable financial risk profile because of a healthy network, low gearing, and adequate debt protection metrics. These rating strengths are partially offset by exposure to intense competition in the paper manufacturing business, and susceptibility of profitability margins to volatility in raw material prices.

#### Key Rating Drivers & Detailed Description

##### Strengths

\* **Established market position in speciality paper segment, supported by extensive experience of the promoter, and a wide product portfolio:** PPPL has a strong market position, with around 40% market share in the various sub-segments of the domestic speciality paper segment. The diverse product mix comprises various grades of glassine, opaque laminating base, kraft, and tissue, and greaseproof, maplitho, crepe tissue, MG poster, and printing papers. The company caters to a large clientele, requiring high degree of customisation.

\* **Comfortable financial risk profile:** Financial risk profile is marked by moderate network, gearing and interest coverage ratio of Rs 146.7 crore, 0.53 time and 5 times, respectively, estimated in fiscal 2017.

##### Weakness

\* **Exposure to intense competition:** PPPL faces intense competition from imports, which cater to about 60% of domestic demand of speciality paper. Moreover, it faces competition from other large domestic players in other segments such as writing and printing paper, and hygiene and tissue paper.

\* **Susceptibility to volatile raw material prices:** Raw material cost accounts for around 70% of cost of sales. The company manufactures paper from imported wood pulp as well as wastepaper, the prices of which are highly volatile.

#### Outlook: Stable

CRISIL believes PPPL will continue to benefit over the medium term from its established market position in the speciality paper segment and established relationship with customers. The outlook may be revised to 'Positive' if significant and sustainable growth in revenue and profitability along with efficient working capital management results in sizeable net cash accrual. The outlook may be revised to 'Negative' if a decline in profitability margins, or significant deterioration in the capital structure most likely due to large, debt-funded capital expenditure or a stretched working capital cycle, weakens liquidity.



**About the Group**

PPPL was set up in January 2015 to take over the paper manufacturing division of Pudumjee Pulp & Paper Mills Ltd, Pudumjee Industries Ltd, and Pudumjee Hygiene Products Ltd. The company manufactures various types of speciality paper, writing and printing paper, and tissue paper. Its plant at Pune, Maharashtra, has a capacity of 60,000 tonne per annum.

In fiscal 2017, profit after tax (PAT) was Rs 19.87 crore on revenue of Rs 513.8 crore as against PAT of Rs 10.12 crore on revenue of Rs 469.3 crore in fiscal 2016.

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating Assigned with Outlook
NA	Cash credit	NA	NA	NA	50	CRISIL A-/Stable
NA	Letter of credit & bank guarantee	NA	NA	NA	150	CRISIL A2+
NA	Proposed long-term bank loan facility	NA	NA	NA	50	CRISIL A-/Stable
NA	Fixed Deposits	NA	NA	NA	50	FA/Stable

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2017 (History)		2016		2015		2014		Start of 2014
		Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fixed Deposits	FD	50	FA/Stable		No Rating Change	16-12-15	FA-/Positive	15-10-15	FA-/Stable		--	--
Fund-based Bank Facilities	LT/ST	100	CRISIL A-/Stable		No Rating Change	16-12-15	CRISIL BBB+/Positive	15-10-15	CRISIL BBB+/Stable		--	--
Non Fund-based Bank Facilities	LT/ST	150	CRISIL A2+		No Rating Change		No Rating Change	15-10-15	CRISIL A2		--	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

**Annexure - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	50	CRISIL A-/Stable	Cash Credit	50	CRISIL BBB+/Positive
Letter of credit & Bank Guarantee	150	CRISIL A2+	Letter of credit & Bank Guarantee	150	CRISIL A2
Proposed Long Term Bank Loan Facility	50	CRISIL A-/Stable	Proposed Long Term Bank Loan Facility	38.89	CRISIL BBB+/Positive
--	0	--	Term Loan	11.11	CRISIL BBB+/Positive
Total	250	--	Total	250	--

**Links to related criteria**

CRISIL's Approach to Financial Ratios

CRISIL's Bank Loan Ratings - process, scale and default recognition

Rating criteria for manufacturing and service sector companies

Rating Criteria for Paper Industry

Criteria for rating Short-Term Debt (including Commercial Paper)

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