

Date: 11-04-2023

To
The Manager
Department of Corporate Services
The National Stock Exchange of India
"Exchange Plaza"
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051.

To
The Manager
Department of Corporate Services
The Bombay Stock Exchange Ltd.
Floor 25, PJ Towers,
Dalal Street,
Mumbai - 400 001.

Script Code: malupaper

Script Code: 532728

Sub: Intimation of Withdrawal of credit rating pursuant to Reg 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 .

Sir/Madam,

With reference to the captioned subject, we would like to inform you that at our request and on a receipt of a 'No objection Certificate' from the bankers of the company, the credit rating Agency, CRISIL Ratings Limited has withdrawn its ratings assigned to the Bank Loan facility aggregating Rs. 97 Crs.(Rupees ninety seven Crores) with effect from March 30,2023.

A copy of Rating Rationale from credit rating agency - CRISIL Ratings Limited is attached for your reference.

This is for your information and record.

Thanking You

For Malu Paper Mills Limited

MAYURI

SURESH

ASAWA

Mayuri Asawa

Company Secretary & Compliance officer

Mem. No- A50891

Digitally signed by MAYURI SURESH ASAWA
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Unit II : Village Borujwada , Nagpur Saoner Road, Taluka-Saoner, Dist.: Nagpur - 441 107

Unit III : Village Heti (Surla), Saoner Industrial Area, Taluka-Saoner, Dist.: Nagpur - 441 107

Rating Rationale

March 30, 2023 | Mumbai

Malu Paper Mills Limited

Ratings Reaffirmed and Withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.97 Crore
Long Term Rating	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Short Term Rating	CRISIL A4+ (Rating Reaffirmed and Withdrawn)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings to the bank facilities of Malu Paper Mills Limited (MPML). Also, subsequently **withdrawn** the rating at the company's request and on a receipt of a 'No-objection Certificate' from the bankers. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of bank loan ratings.

The ratings continue to reflect the extensive experience of the promoters in the paper industry and expectation of funding support from the promoters and group companies. These strengths are partially offset by the company's susceptibility to fluctuations in raw material prices and working capital intensive nature of operations.

Analytical Approach

Unsecured loans and inter-corporate deposits of Rs 65.94 crores as on March 31st 2022, extended to MPML by the promoters and group companies, have been treated as 75% equity and 25% debt, as loans are subordinated to all forms of bank borrowings, interest on same is ploughed back into the company and are expected to be retained in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters:

MPML benefits from the two-decade long experience of the promoters and their understanding of dynamics of the market and their long-standing relationships with customers and suppliers.

Funding support from the promoters and group companies:

Reduced debt levels and healthy financials risk profile of the company is emanating from the continuous support of promoters and group companies in the form of unsecured loans and inter-corporate deposits. This support is expected to continue in the case of an exigencies. Support is derived from decades of experience of the group in various industries. Unsecured loans from the promoters stood at around Rs 78 Cr as on March 23, 2023.

Weaknesses:

Susceptibility to fluctuations in raw material prices:

Cyclical downturns and adverse variability in the demand supply balance, and cyclical price of the major raw material wastepaper required by the company, results in volatile operating performance of the company. Operating margins of the company have remained volatile up to 5.53% along with operating loss in the last three quarters ended Q3 FY 23 due to volatility of raw material and finished goods prices.

Working capital intensive nature of operations:

Although on an improving trend, the operations of the company are working capital intensive as evidenced by gross current assets (GCA) days of around 128 days in as on March 31, 2022, mainly due to higher inventory days of around 74 days which were around 54 days as on September 30, 2022. Overall GCA days are expected to remain in the same range over medium term.

Liquidity: Stretched

Company incurred net cash losses in fiscal 2022 and fiscal 2021 and is likely to incur cash losses in current fiscal against repayment obligation of around Rs 1-1.8 crore, constraining liquidity. Bank limit utilization is high at around 93 percent for the past twelve months ended October 2022. Current ratio is below average at around 1 time on March 31, 2022. Cash and cash equivalents balance as on March 31, 2022 was low at Rs 0.04 Cr. There is track record of timely support from the promoter in the past and timely fund infusion is likely to continue, in case of exigencies, to meet its working capital requirements and repayment obligations, supporting liquidity profile

Outlook: Stable

CRISIL Ratings believes MPML will benefit from the promoters' extensive experience and established relationship with customers and suppliers.

Rating Sensitivity factors

Upward Factors

- * Significant increase in scale of operations and operating margin leading to net cash accruals sustaining above Rs 3 crores
- * Improvement in working capital cycle

Downward Factors

- * Sustained decline in revenue (10-15% per annum over the medium term) and operating margin resulting in higher cash losses
- * Higher-than-expected debt-funded capital expenditure or acquisitions or stretch in working capital cycle weakens key credit metrics.

About the Company

MPML, part of the Malu group, was incorporated in January 1994 as Malu Solvex Ltd. The name was changed with effect from April 24, 1998. The company manufactures kraft paper, newsprint and writing and printing paper at its plants in Saoner Taluka, Maharashtra.

Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	212.20	169.60
Reported profit after tax	Rs crore	-6.26	-5.77
PAT margins	%	-2.95	-3.40
Adjusted Debt/Adjusted Net worth	Times	0.57	0.67
Interest coverage	Times	0.59	0.86

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. 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)	Complexity levels	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	2.2	NA	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
NA	Cash Credit	NA	NA	NA	24.75	NA	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
NA	Letter of Credit	NA	NA	NA	12	NA	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	58.05	NA	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)

Annexure - Rating History for last 3 Years

		Current		2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	82.8	CRISIL BB-/Stable	02-01-23	CRISIL BB-/Stable	28-02-22	CRISIL BB-/Stable		--	24-11-20	CRISIL BB-/Stable	CRISIL BB-/Stable

			(Rating Reaffirmed and Withdrawn)								
Non-Fund Based Facilities	ST	14.2	CRISIL A4+ (Rating Reaffirmed and Withdrawn)	02-01-23	CRISIL A4+	28-02-22	CRISIL A4+	--	24-11-20	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	1.7	State Bank of India	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
Bank Guarantee	0.5	Bank of India	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
Cash Credit	6.19	Axis Bank Limited	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	6.19	State Bank of India	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	6.19	Bank of India	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	3.09	Bank of Baroda	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	3.09	The Jammu and Kashmir Bank Limited	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Letter of Credit	5	Axis Bank Limited	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
Letter of Credit	3.5	State Bank of India	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
Letter of Credit	3.5	Bank of India	CRISIL A4+ (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	15.4	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	10.21	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	14.98	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	6	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
Proposed Long Term Bank Loan Facility	10.3	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)

Proposed Long Term Bank Loan Facility	1.16	Not Applicable	CRISIL BB-/Stable (Rating Reaffirmed and Withdrawn)
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This Annexure has been updated on 30-Mar-23 in line with the lender-wise facility details as on 07-Feb-23 received from the rated entity.

Criteria Details

Links to related criteria
<u>CRISILs Approach to Financial Ratios</u>
<u>Rating criteria for manufacturing and service sector companies</u>
<u>CRISILs Bank Loan Ratings - process, scale and default recognition</u>
<u>Rating Criteria for Paper Industry</u>
<u>CRISILs Criteria for rating short term debt</u>

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