



Press Release

Marvel Vinyls Limited

January 25, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	9.74	IVR BBB-/Stable [IVR Triple B Minus with Stable Outlook]	Upgrade and removed from Issuer not Cooperating category	Simple
Short Term Bank Facilities	65.00	IVR A3 [IVR A Three]	Upgrade and removed from Issuer not Cooperating category	Simple
Total	74.74 (Enhanced from Rs. 66.00 crore)	[Rupees Seventy-four crore and seventy-four lakhs Only]		

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the ratings assigned to the bank facilities of Marvel Vinyls Limited into issuer not cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review and Infomerics has revised & removed the rating from 'ISSUER NOT COOPERATING' category.

Infomerics has upgraded its ratings and assigned the ratings to the enhanced facilities on bank facilities of Marvel Vinyls Limited on account of the experienced promoters and established track record in the business, moderate capital structure and debt protection metrics, multiple product segments with exposure in diversified industries, stable financial performance and profitability. The ratings, however, are constrained by raw material price volatility, vulnerability to foreign currency risk, intense competition, profitability exposed to foreign exchange fluctuations and elongated operating cycle.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record in the business:

The promoters of the company have been trading PVC films and sheets since 1957 through a Group company, Ganesh Dass & Company. In 1985, the promoters ventured into the manufacturing of PVC films and sheets with the takeover of the sick company M/s Oriental Vinyls Limited, a Birla Group company with its manufacturing unit at Sahibabad (Uttar Pradesh). In 1993, the company commissioned its second manufacturing unit at Malanpur (Madhya Pradesh). The successful operational track record, along with the experienced management, has helped in establishing a healthy relationship with the customers as it has been getting regular repeat orders from its clients.

Moderate capital structure and debt protection metrics

The company's tangible net worth remained moderate at Rs 46.75 crore as on March 31, 2023, as against Rs 38.64 crore as on March 31, 2022, increased mainly on



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account of accretion of profits to reserves. The overall gearing of the company stood at 1.61x as on March 31, 2023, improved from 1.69x as on March 31, 2022. Total indebtedness of the company as reflected by TOL/TNW stood at 2.68x as on March 31, 2023, improved from 3.53x as on March 31, 2022. Moreover, the debt protection indicator of the company stood moderate with interest service coverage of 3.80x in FY23 as against 3.83x in FY22. Total debt to GCA stood moderate at 6.84x as on March 31, 2023, deteriorated from 6.15x as on March 31, 2022.

Multiple product segments with exposure in diversified Industries

The company offers various product ranges such as PVC films and sheets, vinyl floor coverings, PVC synthetic leather for applications ranging from automobile sector, footwear, railway, institutional and industrial uses. It helps in mitigating the risk from slowdown in any particular segment to some extent.

Stable Financial performance and profitability

The financial performance of the company has remained stable over the years, the Total operating income (TOI) has increased by ~17.76% Rs. 347.44 crore from Rs.296.12 crore in FY2022 on account of increase in sales quantity along with higher sales realization of its products. Despite increase in scale of operation, the EBITDA margin of the company deteriorated by 71 bps and stood at 4.71% in FY23 as against 5.42% in FY22 mainly on account of higher operational cost. Although decline in EBITDA margins, PAT margin has improved by 4 bps and stood at 2.24% in FY23 as against 2.20% in FY22. The company has reported PAT of Rs. 7.83 crore in FY23 as against Rs.6.55 crore in FY22. Gross Cash accruals stood at Rs. 11.00 crore in FY23 as compared Rs. 10.65 crore in FY22.

B. Key Rating Weaknesses

Raw material price volatility



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The operating margins of the company are affected by fluctuation in prices of PVC resin. Any adverse movement in the price of raw materials can have a negative impact on the company's margins. However, company's withstanding relationship with its suppliers allow company to get cushion against the risk to some extent.

Vulnerability to foreign currency risk

The company is exposed to foreign exchange currency risk as it doesn't use any specific hedging mechanism and uses natural hedge through exports of its goods. The company passes on the increase in cost of raw material to open market customers. Even though, it remains exposed to volatility in forex fluctuations for the imbalance and timing difference in exports and imports.

Intense competition

The company faces stiff competition from other unorganised players on account of low entry barriers and less technology intensive business. This in turn puts pressure on the margins. Although the company has established relationships with several auto OEMs and other major customers, the business remains highly competitive.

Profitability exposed to foreign exchange fluctuations.

The company's operations remain exposed to fluctuations in foreign currency rates as the company imports significant amount of raw material from foreign market and since the company doesn't indulge in exports it doesn't gain the advantage of natural hedging. However, the Company has a pre-defined hedging mechanism to mitigate the risk to some extent.

Elongated operating cycle.



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The Working capital cycle of the company is moderately intensive marked by Operating cycle stood elongated at 84 days in FY23 although improved from 91 days in FY22, primarily on account of decline in inventory days and collection days.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook](#)

Liquidity – Adequate

The company's liquidity is adequate marked by 66.06% consolidated average utilisation of fund-based limits during the past 12 months ended November 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a Current Ratio and quick ratio of 1.40x and 0.98x as of March 31, 2023, respectively. The Unencumbered cash and bank balance of the company stood at Rs.7.51 Crores as on March 31, 2023. The Working Capital Cycle of the company stood elongated at 85 days in FY23 improved from 91 days in FY22.

About the Company

MVL, incorporated in 1985 as a private limited company, manufactures PVC films and sheets at its manufacturing facilities located in Sahibabad (Uttar Pradesh) and Malanpur (Madhya Pradesh). The company commenced operations in 1985 by taking over a sick company, Oriental Vinyls Limited of Birla Group that had a manufacturing unit at Sahibabad. In 1993, the company commissioned its second manufacturing unit at Malanpur. In 1995, the company came out with its public offer, wherein the promoters divested about 25% of their stake. The promoters have been involved in trading of PVC films and sheets for three decades under the partnership firm Ganesh



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Das & Company (incorporated in 1957), before they took over the sick company – Oriental Vinyls Limited

Financials (Standalone):

For the year ended* / as on	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	296.12	347.44
EBITDA	16.05	16.37
PAT	6.55	7.83
Total Debt	65.47	75.19
Tangible Net Worth	38.64	46.75
Ratios		
EBITDA Margin (%)	5.42	4.71
PAT Margin (%)	2.20	2.24
Overall Gearing Ratio (x)	1.69	1.61

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

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 2022-23 (May 16, 2023)	Date(s) & Rating(s) assigned in 2021-22 (March 24, 2022)	Date(s) & Rating(s) assigned in 2022-21
1.	Long Term Fund Based Facilities	Long Term	9.74	IVR BBB-/Stable	IVR BB+/Negative (INC)	IVR BBB-/Stable	-
2.	Short Term Fund Based Facilities	Short Term	65.00	IVR A3	IVR A4+(INC)	IVR A3	-

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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.

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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	-	-	Mar 2028	9.74	IVR BBB-/ Stable



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Working Capial	-	-	-	42.50	IVR A3
Cash Credit	-	-	-	12.00	IVR A3
Letter of Credit	-	-	-	10.50	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Marvel-Vinlys-jan24.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.