



## Press Release

**Marudhar Industries Limited**  
**August 22, 2023**

### Ratings

<b>Instrument / Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facilities	65.30	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	35.90	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>101.20</b> <b>(Rupees One hundred and one crore and twenty lakhs only)</b>			

Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned to the bank facilities of Marudhar Industries Limited (MIL) derive strength from experienced promoters, long track record of operations and moderate capital structure with moderate debt coverage indicators. The rating strengths are, however, constrained by profitability susceptible to volatility in raw material prices and the working capital-intensive nature of operations.

### Key Rating Sensitivities:

#### Upward Factors

- Sustained improvement in scale of operations along with improvement in profitability leading to higher cash accruals.
- Improvement in capital structure leading to improvement in debt protection metrics on a sustained basis.

#### Downward Factors

- Decline in revenue and profitability leading to lower cash accruals, thus impacting liquidity of the company.
- Any large debt funded capex deteriorating the capital structure of the company and weakening the debt protection metrics.
- Stretch in working capital cycle impacting the liquidity of the company.



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### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### **Experienced promoters and long track record of operations**

The company has more than 20 years of operational experience in the flexi packaging and aluminium foil industries. The company is well-established in the market and distributes its food containers made of aluminium foil under the name "HealthWrap". Mr. Naresh Jain and Bhavesh Jain have a vast experience in the industry for 21 years and 18 years respectively. Additionally, they are assisted by a well-qualified and experienced management team. The promoters' extensive experience has enabled the company to retain long standing relationships with its clients and suppliers.

##### **Moderate capital structure and debt coverage indicators**

MIL's financial risk profile is marked by moderate tangible net worth of Rs. 58.23 crores as on March 31, 2023. Overall gearing ratio including quasi equity moderated slightly to 0.96x as of March 31, 2023, from 0.94x as of March 31, 2022. Total debt has increased from Rs. 62.77 crore in FY22 to Rs. 71.13 crore in FY23 and primarily comprises of bank borrowings and unsecured loans. Total indebtedness reflected by TOL/ANW stood at 1.49x as on March 31, 2023, vis a vis 1.54x as on March 31, 2022. The overall gearing is expected to further moderate to 1.52 times in FY24 as the company is upgrading the aluminium plant at a total cost of Rs. 30.04 crores funded by term loan of Rs. 22.50 crore, internal accruals of Rs. 5.54 crore and unsecured loan of Rs. 2.00 crore. The upgradation is expected to be completed by December 2023, and will help in making value added products that will add to profitability going forward.

Debt coverage indicators like interest coverage continue to be comfortable at 2.25x as on March 31, 2023. Total debt to EBITDA and total debt to GCA were moderate at 4.93x in FY23 and 7.82x in FY23 respectively. Financial risk profile of MIL is expected to remain moderate over the medium term.

#### B. Key Rating Weaknesses

##### **Profitability susceptible to volatility in raw material prices**

Aluminium ingot/coil serves as the company's primary raw material and accounts for a sizeable share of the total raw material requirement. The cost of aluminium coil is influenced by the cost of primary aluminium on the domestic market, which is in turn affected by global supply and demand scenario and fluctuations in foreign exchange rates. As a result, the



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company's profitability is vulnerable to fluctuations in the price of aluminium as well as forex rates on its imports.

MIL registered a decline of 3.87% in revenues to Rs. 321.62 crore in FY23 over Rs. 334.57 crore in FY22 due to a decline in selling price on account of raw material prices stabilizing as compared to FY22 levels. The EBITDA margin remained at similar levels of 4.53% in FY23 as compared to 4.88% in FY22 and PAT margins remained at 1.15% in FY23 as against 1.12% in FY22.

### **Working capital intensive nature of operations**

MIL's operations are working capital intensive as reflected by high utilization of fund-based working capital limits at 94.89% for the last 12 months ended June 2023. Inventory days and average collection period stood at around 61 days and 44 days respectively as on March 31, 2023. MIL also has limited credit from suppliers as reflected in 30 creditor days. The operations are expected to remain working capital intensive over the medium term.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Entities](#)

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

[Criteria on Default Recognition](#)

#### **Liquidity: Adequate**

The company is expected to have gross cash accruals in the range of Rs 13 - 17 crore per annum in the projected period FY24 - FY26 sufficient to cover debt obligations of Rs. 3 - 7 crore in the same period. The working capital utilisation of bank limit averaged a high of 94.89% over the past 12 months ended June 2023 indicating limited liquidity headroom. Current ratio was moderate at 1.29 times as on March 31, 2023.

### **About the company**



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Marudhar Industries Limited (MIL) was established in the year 1983 by Mr. S. K. Jain. It is promoted by Mr. Naresh S. Jain and Mr. Bhavesh Jain. The aluminium and plastic plant was set up in Ahmedabad with a capacity of 10,000 MT each in the year 1983 and 1996 respectively. It is engaged in the manufacturing and export of packaging products. The company's major products are aluminium foil, laminated bags and pouches and films. Approximately 99% of the products are sold in the domestic market whereas the remaining 1% are exported (US markets).

### Financials (Standalone):

For the year ended / As On*	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	333.89	318.61
EBITDA	16.30	14.42
PAT	3.76	3.71
Total Debt	62.77	71.13
Tangible Net worth	54.46	58.23
<b>Ratios</b>		
EBITDA Margin (%)	4.88	4.53
PAT Margin (%)	1.12	1.15
Adjusted Overall Gearing Ratio (x)	0.95x	0.96x

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

### 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	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	24.30	IVR BBB / Stable	-	-	-
2.	Cash Credit	Long Term	41.00	IVR BBB / Stable	-	-	-
3.	Short Term Loan	Short Term	12.00	IVR A3	-	-	-
4.	Letter of Credit	Short Term	23.90	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
Long term fund-based facility - GECL	-	-	December, 2026	4.48	IVR BBB / Stable
Long term fund-based facility – GECL II	-	-	December, 2027	2.87	IVR BBB / Stable
Long term fund-based facility – GECL	-	-	September, 2024	1.50	IVR BBB / Stable
Long term fund-based facility – GECL II	-	-	December, 2027	1.80	IVR BBB / Stable
Long term fund-based facility – Term Loan	-	-	February, 2031	6.76	IVR BBB / Stable
Long term fund-based facility – Term Loan	-	-	August, 2032	1.96	IVR BBB / Stable
Long term fund-based facility - GECL	-	-	April, 2028	2.10	IVR BBB / Stable
Long term fund-based facility – Term Loan	-	-	April, 2027	2.83	IVR BBB / Stable
Long term fund-based facility – Cash Credit	-	-	-	41.00	IVR BBB / Stable
Short term fund-based facility – Term Loan	-	-	-	12.00	IVR A3
Short term non-fund-based facility – Letter of Credit	-	-	-	23.90	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-marudhar-aug23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable



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**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).