



Press Release

Marudhar Rocks International Private Limited

October 05, 2020

Ratings

| Instrument/Facility | Amount (Rs. Crore) | Ratings | Rating Action |
|--|--------------------|--|---------------|
| Long Term/Short Term Bank Facilities – Fund Based | 7.50 | IVR BBB-/Stable Outlook & IVR A3 (IVR Triple B Minus with stable outlook and IVR Single A Three) | Assigned |
| Long Term Bank Facilities – Fund Based | 130.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) | Assigned |
| Short Term Bank Facilities – Non Fund Based | 2.00 | IVR A3 (IVR Single A Three) | Assigned |
| Long Term Bank Facilities – Proposed Fund Based | 30.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) | Assigned |
| Short Term Bank Facilities – Proposed Non Fund Based | 10.00 | IVR A3 (IVR Single A Three) | Assigned |
| Total | 179.50 | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Marudhar Rocks International Private Limited (MRIPL) takes into account its experienced management with long track record of operations, resourceful promoters with fund infusion by promoters, gradual diversification to higher margin quartz manufacturing division, favourable industry outlook and comfortable capital structure. Further, the ratings also derive comfort from its improvement in its scale of operations during 5M FY21 (provisional). These rating strengths partially offset by moderation in total operating revenue, raw material price fluctuation risk, competitive and fragmented nature of industry, exposure to forex risk and moderate working capital intensive nature of operations marked by elongated receivable period.

Key Rating Sensitivities:



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Upward Factors:

- Sharp increase in total income with significant improvement in margins and cash accruals on a sustained basis
- Improvement in capital structure, debt protection metrics and liquidity

Downward factors:

- Moderation in operating income or profitability and/or cash accrual, any further stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 1.50x
- Withdrawal of subordinated unsecured loan amounting to Rs.60.00 crore (outstanding as on March 31,2020)

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management with long track record of operations**

The affairs of the company are being mainly looked after by its directors, viz. Mr. Jitendra Kothari, Mr. Vikas Kothari, Mr. Avinash Mehta & Mr. Rounak Kochar. Marudhar. MRIPL is backed by strong promoters, who have interests in real estates, food and beverages and natural stones, etc. who possess long experience in this line of activity. One of the directors Mr. Avinash Mehta is associated with leading food and beverage player and the other promoter directors have long and standing experience in Granite and Marble industry, which helped MRIPL establishing export markets and maintaining healthy relationships with customers and suppliers. They are being assisted by a team of qualified and experienced staff who look after finance, production, and quality control, marketing and general administration.

- **Resourceful promoters and fund infusion by the promoters**



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The promoters are resourceful and has supported the business by infusing funds in the form of unsecured loans.

- **Gradual diversification to higher margin Quartz manufacturing division**

The company has set up a state of art unit for manufacturing of engineered stone i.e. Quartz in Sipcot Industrial Area, near Bangalore with a capacity of around 125 containers per month. The Trial run of Quartz Unit has been started from 14.01.2020 and Commercial Production from 28.01.2020. Quartz has higher demand and higher acceptability in the overseas market i.e. USA, Canada, Europe and Middle East countries. The company has orders in hand to the tune of INR 162.56 Cr for more than two years production capacity of Quartz. Based on high demand and healthy realisations from Quartz manufacturing segment Infomerics expects that the earnings and scale of the company is to be improved going forward.

- **Favourable Industry Outlook**

The company has good demand for supply of Quartz from USA and Europe. USA has imposed heavy anti-dumping duty for import of Quartz from China, whereas the same is on a very low side for India. The company is having one of the largest manufacturing facility of Quartz in Asia and has satisfactory orders in hand to export Quartz to USA and Europe.

- **Comfortable capital structure**

The capital structure of the company remained comfortable over the past fiscals. The overall gearing (including Quasi) remained comfortable at 1.35x as on March 31, 2020 marginally deteriorated from 1.09x as on March 31, 2019 due to increase in total debt in FY20. The net worth (including Quasi) stood healthy at of INR 106.12 crore as on March 31, 2020 as against INR 104.59 crore in the previous year. To arrive at the net worth, Infomerics has considered INR 60.00 crore of unsecured loans from promoters and related parties as quasi equity as the same is subordinated to the bank facilities. Further, total indebtedness of the company as reflected by TOL/ANW remained stable and comfortable at 1.62x as on March 31, 2020 (TOL/ANW at 1.14x in FY20). The debt protection metrics remained strong, with interest coverage ratio at 13.62x in FY20. Improvement in ISCR in FY20 was mainly on account of increase in Absolute EBITDA and decline in finance cost in FY20.



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Key Rating Weaknesses

- **Moderation in total operating revenue**

The sales of the company in the year ending 31.03.2019 was Rs.69.55 crores which has been reduced to Rs.58.10 crores in the year ending 31.03.2020 due to shift from the direct trading model to commission based trading model as the company has executed export sales of Rs.22.00 Crores on commission basis for one of its associate companies, where directors are common and earned commission income of Rs.3.30 crores. However, during 5M FY21, MRIPL has booked the revenue of INR 44.27 Cr.

- **Competitive and fragmented nature of industry**

The stone industry in India and overseas is highly fragmented, as the company faces stiff competition from the other players in the industry. MRIPL's sale is majorly dependent on the export markets of Europe, US, etc. where cheap products are available from different countries easily.

- **Exposure to Forex Risk**

The company is exposed to due to high forex risk due to currency fluctuations as MRIPL is majorly an export oriented unit. The company is hedging the risk by entering into a forward contracts. The Company has forex payables of Rs.136.92 crore which is unhedged. A 5% adverse currency movement can reduce PBT by Rs.6.5 crore which is substantial for the company's size.

- **Moderate Working capital intensive nature of operations marked by elongated receivable period**

The operations of the company are working capital intensive as reflected by elongated working capital cycle of 98 days (though remained below 100 days in last 3 years), majorly due to stretched receivables (at 135 days in FY20 increased from last year, at 100 days). Besides, the company manages to avail credit from its suppliers based on its relationships (Creditor days stood at 124 days in FY20 up from 64 days in FY19), which kept its working capital cycle in the vicinity of last year's level though remained elongated in FY 20.

Analytical Approach: Standalone

Applicable Criteria:



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Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity position of the company is expected to remain adequate marked by expected GCA of ~INR 25.73 Cr – ~INR 46.17 Cr from FY21-FY23, as against scheduled debt repayments of INR 15.05 Cr – INR 27.50 in the same period. Further, its bank limits remained moderately utilized to the extent of ~43.61% during the past 12 months ended August 2020 indicating moderate liquidity buffer and unencumbered cash and bank balances stood at INR 1.71 Cr in FY20 indicating limited headroom for any capex. The current ratio stood at 1.12x in FY 20 and remained above unity.

About the Company

The company was incorporated by Mr. Jitendra Kothari and Mr. Vikas Kothari in 2010. The company was incorporated as 100% (EOU) Export Oriented with a focus on manufacturing of Granite, Italian Marble & Engineered stones. The unit is located in Granite rich deposits of Mettur in Tamil Nadu (Salem District). It also has another processing unit at Hosur located nearby Bangalore with an installed capacity of 225,000 Sq. Mtr. The company has set up a state of art unit (Installed capacity 750,000 Sq. Mtr.) for manufacturing of engineered stone i.e. Quartz in Sipcot Industrial Area, near Bangalore with a capacity of around 125 containers per month. Rough blocks are sourced from own quarries and through strategic tie ups with other quarry owners. The final products are exported to USA, Canada, Europe and Middle East countries. The Group also have marketing office at New Jersey (USA).

Financials: Standalone

| | (Rs.in crore) | |
|---------------------------|---------------|------------|
| For the year ended*/As on | 31-03-2019 | 31-03-2020 |
| | Audited | Audited |



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| For the year ended*/As on | 31-03-2019 | 31-03-2020 |
|---------------------------|------------|------------|
| Total Operating Income | 69.55 | 58.10 |
| EBITDA | 4.75 | 10.91 |
| PAT | 3.02 | -5.89 |
| Tangible Net worth | 51.30 | 46.12 |
| ^Adjusted Net worth | 111.60 | 106.12 |
| EBITDA Margin (%) | 6.84 | 18.77 |
| PAT Margin (%) | 4.22 | -9.71 |
| Overall Gearing Ratio (x) | 1.09 | 1.35 |

*As per Infomerics Standards

^INR 60.00 Cr of unsecured loans from promoters/related parties have been treated as quasi equity as the same is subordinated to bank loan facilities

Status of non-cooperation with previous CRA: The rating was migrated to Issuer non-cooperating category by ACUITE Ratings vide its press release dated Dec 17, 2019 due to lack of cooperation from the client.

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|--|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 1. | PC/PCFC* | Long/Short Term | 7.50 | IVR BBB-/Stable Outlook & IVR A3 (IVR Triple B Minus with stable outlook and IVR Single A Three) | - | - | - |
| 2. | Term Loan | Long Term | 130.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) | - | - | - |
| 3. | LC | Short Term | 2.00 | IVR A3 (IVR Single A Three) | | | |
| 4. | CC - Proposed | Long Term | 30.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) | | | |



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| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|-----------------------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 5. | LC - Proposed | Short Term | 10.00 | IVR A3 (IVR Single A Three) | | | |

**CC of INR 7.50 Cr (Sub limited to PCFC) & Bills Discounting of INR 7.50 Cr (Sub limited to PCFC)*

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any



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point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs.in Crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|--------------------------------|--|
| Long Term/Short Term Bank Facilities – PC/PCFC* | - | - | - | 7.50 | IVR BBB-/Stable Outlook & IVR A3 (IVR Triple B Minus with stable outlook and IVR Single A Three) |
| Long Term Bank Facilities – Term Loan | - | - | June 2025 | 130.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) |
| Short Term Bank Facilities – LC | - | - | - | 2.00 | IVR A3 (IVR Single A Three) |
| Long Term Bank Facilities – CC – Proposed | - | - | - | 30.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with stable outlook) |
| Short Term Bank Facilities – LC - Proposed | - | - | - | 10.00 | IVR A3 (IVR Single A Three) |

*CC of INR 7.50 Cr (Sub limited to PCFC) & Bills Discounting of INR 7.50 Cr (Sub limited to PCFC)