

Press Release

Marudhar Rocks International Private Limited

October 20, 2020



Rating withdrawn

Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	ACUITE BB (Downgraded and withdrawn)
Short Term Rating	ACUITE A4+ (Reaffirmed and withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded and withdrawn the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+ (read as ACUITE A four plus)**' on the Rs.20.00 crore bank facilities of Marudhar Rocks International Private Limited (MRIPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker. Further, the downgrade reflects a decline in the scale of operations along with deterioration in profitability margins, financial risk profile and working capital operations.

Bengaluru based, Marudhar Rocks International Private Limited (MRIPL), incorporated in the year 2010, is envisaged as 100% Export Oriented Unit (EOU) located amidst Granite rich deposits of Mettur in Salem district of Tamil Nadu. It also has another processing unit at Hosur near Bangalore. Company has an installed capacity of 2,25,000 sq. mtr. Company is well versatile in various products such as Granite, Marble and quartz. They have an exotic collection of more than 250 colours of granite. The final products are exported to USA, Canada, Europe and Middle East countries. In January 2020 the company setup a processing unit for Quartz in Hosur, Tamil Nadu with an installed capacity of 7,50,000 sq mtr.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MRIPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

MRIPL was incorporated in 2010 and promoted by Mr. Jitendra Kothari and Mr. Vikas Kothari (currently directors) who have been associated with the granite and marble industry for more than two decades. MRIPL is currently managed by a team of professionals; the extensive experience of the management has helped the company in establishing healthy relations with its customers and suppliers which in turn helps the company in getting repeat orders and establish its position in the international market.

Weaknesses

• Average financial risk profile

The financial risk profile of the company is average, marked by a decline in net worth, high gearing and average debt protection indicators. The net worth of the company is declined to Rs.46.12 crore as on 31 March 2020 compared to Rs.52.01 crore as on 31 March 2019 due to losses in FY2020. The gearing (debt-equity) deteriorated to 4.41 times as on 31 March 2020 as against 3.21 times in previous year mainly on account of increase in long term debt. The total debt of Rs.203.25 crore as on 31 March 2020 includes long term debt of Rs.136.33 crore, unsecured loans of Rs.60.43 crore and short term debt of Rs.6.48 crore. The net cash accrual to total debt (NCA/TD) was moderate at 0.03 for FY2020.

Acuité believes that the financial risk profile of the company is expected to remain the same over the medium term.

• **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 312 days in FY2020 as against 301 days in FY2019. These high GCA days emanates from high inventory days of 142 days for FY2020 as compared to 29 days for FY2019. The debtor days stood at 126 days for FY2020 as compared to 119 days for FY2019.

Acuité believes that the company's operations are expected to remain working capital intensive in the medium term.

• **Exposed to foreign exchange fluctuations**

The company exports its finished products to USA, Canada, Europe and Middle East countries, thus exposed to fluctuations in foreign currency. However, this risk is partially mitigated as the company enters into forward contracts.

Liquidity position: Adequate

MRIPL has an adequate liquidity position marked by adequate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.85-6.59 crore during the last three years through 2019-2020, while its maturing debt obligations were Rs.5.00 crore. The operations are working capital intensive marked by Gross Current Asset (GCA) of 312 days in FY2020 compared to 301 days in FY2019. The average working capital limits utilization stood at around 23 percent for the past six months ended September 2020. The current ratio has however reduced to 1.44 times as on 31 March, 2020 from 2.05 times as on 31 March 2019. Acuité believes that going forward the liquidity position of the company will continue to remain adequate in the medium term.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in liquidity

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	58.10	69.55
PAT	Rs. Cr.	(5.89)	3.02
PAT Margin	(%)	(10.13)	4.34
Total Debt/Tangible Net Worth	Times	4.41	3.21
PBDIT/Interest	Times	13.53	2.12

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Dec-2019	Cash Credit	Long Term	7.50	ACUITE BB+ (Indicative)
	Proposed Cash	Long Term	2.00	ACUITE BB+

	Credit			(Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Proposed Bank Facility	Short Term	8.50	ACUITE A4+ (Indicative)
19-Aug-2019	Cash Credit	Long Term	7.50	ACUITE BBB- (Indicative)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB- (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Indicative)
	Proposed Bank Facility	Short Term	8.50	ACUITE A3 (Indicative)
01-Jun-2018	Cash Credit	Long Term	7.50	ACUITE BBB-/ Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Short Term Loan	Short Term	8.50	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB (Downgraded from ACUITE BB+/Stable & Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB (Downgraded from ACUITE BB+/Stable & Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Withdrawn)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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