

Press Release

Marvellous Intra Private Limited

March 02, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE B**' (**read as ACUITE B**) on the Rs.10.00 crore bank facilities of MARVELLOUS INTRA PRIVATE LIMITED. The outlook is '**Stable**'.

The upgrade follows the improvement in Marvellous Intra Private Limited (MIPL) business and financial risk profile as demonstrated by stable growth in business operations and improvement in working capital operations of the company. The operating income of the company has improved by ~302 percent in FY2019 over FY2018 and stood at Rs.32.26 crore. Further there has been improvement in working capital operations of the company as demonstrated by improvement in Gross Current Assets (GCA) to 142 days in FY2019 from 519 days in the previous year.

Kolkata-based, MIPL was established in 1995 and is engaged in establishing residential complexes and has also started import-export business of iron & related materials since November, 2017. MIPL is managed by Mr. Gopal Kumar Agarwal, Ms. Urmila Devi Agarwal and Mr. Rahul Agarwal. MIPL has completed one project in the year 2013 which was located at Raniganj under the name of 'Marvellous Residency'. The residential complex consisted of 44 flats and a saleable area of 49179 sq.ft. MIPL has an on-going project in the same locality with a saleable area of 95272 sq.ft., consisting of 84 flats. The project was started in the month of September 2017 with an estimated cost of Rs.17.25 Cr. The project is on-going and likely to be completed in the year 2021. Going forward company plans to continue only the trading business.

Analytical Approach

For arriving at its rating, Acuité has considered the standalone business and financial risk profiles of Marvellous Intra Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of MIPL, Mr. Gopal Kumar Agarwal, Ms. Urmila Devi Agarwal and Mr. Rahul Agarwal have extensive experience in iron steel industry which has helped company to register high revenue growth.

Acuité believes that the promoters' experience will continue to benefit MIPL over the medium term.

Weaknesses

- **Average financial risk profile**

Financial risk profile of the company is average marked by average net worth and debt protection metrics and high gearing. The net worth of the company stood at Rs.4.98 crore as on 31 March, 2019 as against Rs.4.49 crore as on 31 March, 2018. The gearing level (debt-equity) of the company increased to 1.95 times as on 31 March, 2019 from 1.70 times as on 31 March, 2018 on account of increase in total debt. The total debt of Rs.9.73 crore as on 31 March, 2019 comprises of unsecured loans of Rs.7.94 crore and working capital facility of Rs.7.94 crore. Interest coverage ratio (ICR) stood at 1.57 times in FY2019 as against 2.60 times in FY2018. TOL/ TNW (Total outside liabilities to total net worth) ratio stood at 3.30 times in FY2019 and 3.17 times in FY2018. Debt to EBITDA stood at 6.91 times in FY2019 as against 6.46 times in FY2018.

Acuité believes that the financial risk profile of the company is expected to remain average on account by average net cash accruals and debt funded working capital requirements.

• Working capital intensive nature of operations

Operations of MIPL are working capital intensive marked by Gross Current Assets (GCA) of 142 days in FY2019 as against 519 days in FY2018. This is majorly on the account of high debtors' collection period of 115 days in FY2019 as against 123 days in the previous year. Further, current ratio of the company is average at 1.50 times as on 31 March, 2019 as against 1.72 times as on 31 March, 2018.

Acuité believes that the working capital operations of the company is expected to remain intensive on account high debtors' collection period.

Rating Sensitivities

- Significant improvement in operating performance of the company leading to improvement in overall financial risk profile.
- Insufficient cash accruals leading to increase in borrowings and weakening of capital structure.

Material Covenants

None

Liquidity Profile: Adequate

Company has adequate liquidity marked by average net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.,0.51 crore in FY2019 as against no debt obligations. The net cash accruals are expected to remain in the range of Rs.0.54 crore to Rs.1.37 crore during FY2020-2022 against no repayment obligations. The company's working capital operations are intensive marked by GCA of 142 days in FY2019 and it maintained unencumbered cash and bank balances of Rs.1.19 crore as on 31 march, 2019. The cash credit utilization has remained low in the past.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that MIPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle, financial risk profile and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	32.26	8.01
PAT	Rs. Cr.	0.49	0.56
PAT Margin	(%)	1.52	7.02
Total Debt/Tangible Net Worth	Times	1.95	1.70
PBDIT/Interest	Times	1.57	2.60

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-Dec-2018	Cash Credit	Long term	2.00	ACUITE B/ Stable (Assigned)
	Letter of Credit	Short term	8.00	ACUITE A4 (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	4.75*	ACUITE B+ / Stable (Upgraded from ACUITE B)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE B+ / Stable (Upgraded from ACUITE B)

*Cash Credit is 100 per cent interchangeable with Letter of credit

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About Acuité Ratings & Research:

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