



Press Release

Marvel Vinyls Limited

March 24, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facility	12.00	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facility	27.00	IVR A3 (IVR A three)	Assigned	Simple
Long Term/Short Term Bank Facilities	27.00	IVR BBB-/ Stable/ IVR A3 (IVR triple B minus with Stable Outlook and IVR A three)	Assigned	Simple
Total	66.00 (INR Sixty-Six Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Marvel Vinyls Limited (MVL) considers the experience of promoters with established track record in the business, stable financial performance and profitability, moderate capital structure and debt protection metrics and multiple product segments with exposure in diversified Industries. However, the ratings are constrained by elongated operating cycle, raw material price volatility, vulnerability to foreign currency risk and intense competition in the market.

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.



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- 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.

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, although total operating income of the company stood at Rs.244.91 crores in FY21 as compared to FY20 where TOI stood at Rs.251.05 crores despite of disruptions in activities due to Covid-19 pandemic. However, the EBITDA and PAT margins of the company improved as compared to FY20 and stood at 5.87% and 2.33% respectively.

Moderate capital structure and debt protection metrics

Company's capital structure remained moderate as reflected by an adjusted gearing of 1.11x as on March 31, 2021. The adjusted net worth of company stood at Rs. 42.59 crore as on



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March 31, 2021, which include unsecured loans of Rs.9.90 crores from directors and relatives which are subordinated to bank debt and is considered as quasi equity. TOL/ATNW stood at 2.57x as on 31 March 2021. Debt protection parameters also remains moderate with interest coverage ratio of 2.88x and DSCR of 2.51x in FY21. Total debt/GCA, interest coverage and other debt protection metrics expected to improve going forward.

Key Rating Weaknesses

Raw material price volatility

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.

Elongated operating cycle

The operating cycle of the company has remained high over the years as it stood at 101 days in FY21 and 97 days in FY20 on account of higher collection periods and inventory holding periods.

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.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY22-24. The company earned a Gross Cash Accruals (GCA) of Rs.9.93 crores in FY21 as against its repayment obligation of Rs.1.20 crores. The combined working capital limit utilization of company stands at ~26% which depicts lower utilization. Also, the company's current ratio stands at 1.16x.

About the Company

MVL was incorporated in 1985 as a private limited company. The 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.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	251.05	244.91
EBITDA	10.68	14.37
PAT	3.82	5.77
Total Debt	57.63	47.05
Tangible Net worth	26.62	32.59
EBITDA Margin (%)	4.25	5.87
PAT Margin (%)	1.51	2.33
Overall Gearing Ratio (x)	2.54	1.75
Interest Coverage Ratio (x)	2.12	2.88

**Classification as per Infomerics' standards.*



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Status of non-cooperation with previous CRA: NIL

Any other information: NIL

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	12.00	IVR BBB-/ Stable	-	-	-
2.	Letter of Credit	Short Term	27.00	IVR A3	-	-	-
3.	Long Term/Short Term Working Capital Facilities	Long Term/Short Term	24.00	IVR BBB-/ Stable/ IVR A3	-	-	-

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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



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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	12.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	27.00	IVR A3
Long Term/Short-Term Working Capital Facilities*	-	-	-	24.00	IVR BBB-/ Stable/ IVR A3
OD/CC*	-	-	-	(6.00)	IVR BBB-/ Stable
Working Capital Loan*	-	-	-	(6.00)	IVR A3
EPC/PCFC/PSFC*	-	-	-	(20.00)	IVR A3
Letter of credit*	-	-	-	(9.00)	IVR A3
Bank Guarantee*	-	-	-	(2.00)	IVR A3
Unallocated Limits	-	-	-	3.00	IVR BBB-/ Stable/ IVR A3

*Part of Long Term/Short-Term Working Capital Facilities

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Marvel-Vinyls-lenders-mar22.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.

