

Rating Update

June 12, 2023 | Mumbai

Maruti Interior Products Limited**Update as on June 12, 2023**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors

- Significant growth in revenue with sustain operating margin around 18%
- Improvement in working capital cycle

Downward factors

- Weakening of TOL/ANW over 2 times
- Sharp decline in accruals

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CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Maruti Interior Products Private Limited (MIPL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1997, MIPL manufactures kitchen storage accessories, such as cabinets, baskets, drawers, and other accessories. The manufacturing facility is in Rajkot, Gujarat. Mr Nirbhaay Lunagaria, Mr Paresh Purushotam Lunagaria, and Mr Purshotam Rudabhai Lunagaria are the promoters. MIPL got listed at BSE on February 2022.

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Rating Rationale

April 22, 2022 | Mumbai

Maruti Interior Products Limited

Rating upgraded to 'CRISIL BB+/Stable'

Rating Action

| | |
|----------------------------------|--|
| Total Bank Loan Facilities Rated | Rs.3.5 Crore |
| Long Term Rating | CRISIL BB+/Stable (Upgraded from 'CRISIL BB/Stable') |

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its long term rating on bank facilities of Maruti Interior Products Limited (MIPL) to '**CRISIL BB+/Stable**' from '**CRISIL BB/Stable**'.

The upgrade reflects the improved financial profile following the raising of capital through initial public offering (IPO). In February 2022, the company raised a capital of Rs. 11 cr through IPO more than doubling the net worth. Consequently, strengthening MIPL's capital structure and financial flexibility. Funds shall be deployed towards capex and working capital requirements and restrain reliance on debt over medium term. MIPL's business profile remains steady backed by sharp rebound and growth in sales (though scale remains modest) and healthy profitability.

The rating reflect MIPL's extensive experience of the promoters in the housewares and specialties industry and moderate financial risk profile. These strengths are partially offset by the modest scale of operations and susceptibility to volatile raw material prices.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters:** Benefits from the two-decade-long experience of the promoters, their strong understanding of the market dynamics, and healthy relationships with suppliers and customers should continue to support the business.
- **Moderate financial risk profile:** The company had a net worth of Rs. 10.3 cr and gearing of 0.19 times as on as on March 31, 2021. MIPL's net worth is estimated to have more than doubled as on March 31, 2022 backed by issuance of fresh equity capital and healthy profits in fiscal 2022. Debt protection metrics are healthy, as reflected in interest coverage and net cash accrual to total debt ratios of 16.4 times and 1.2 times, respectively in FY21. For fiscal 2022 also debt protection measures are estimated to have remained comfortable.

Weaknesses:

- **Modest scale of operations:** Although revenue of MIPL has grown healthily, the scale and business profile remains restrained by its modest scale. During fiscal 2022, MIPL is estimated to have grown by more than 80% over previous year's Rs 15.20 crore.
- **Susceptibility to volatile raw material prices:** The prices of steel and aluminum, which are key raw materials are highly volatile and makes MIPL's margin susceptible to any sharp fluctuation.

Liquidity: Adequate

Company is estimated to generate annual cash accruals of Rs. 4-5 cr against its term debt obligations below Rs. 0.5 cr. Bank limit utilisation is low at less than 20 percent for the past twelve months ended December 2021. Current ratio are healthy at 2.6 times on March 31, 2021. Further, pending the deployment of IPO proceeds, company currently has healthy

cash bank balance. Low gearing and moderate net worth support its financial flexibility, and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believes MIPL will continue to benefit from the promoters' extensive experience and healthy relationships with clients and comfortable financial risk profile.

Rating Sensitivity factors

Upward factors

- Significant growth in revenue with sustain operating margin around 18%
- Improvement in working capital cycle

Downward factors

- Weakening of TOL/ANW over 2 times
- Sharp decline in accruals

About the Company

Incorporated in 1997, MIPL manufactures kitchen storage accessories, such as cabinets, baskets, drawers, and other accessories. The manufacturing facility is in Rajkot, Gujarat. Mr Nirbhaay Lunagaria, Mr Paresh Purushotam Lunagaria, and Mr Purshotam Rudabhai Lunagaria are the promoters. MIPL got listed at BSE on February 2022.

Key Financial Indicators

| As on / for the period ended March 31 | | 2021 | 2020 |
|---------------------------------------|----------|------|------|
| Operating income | Rs crore | 15.2 | 18.2 |
| Reported profit after tax | Rs crore | 1.6 | 2.3 |
| PAT margins | % | 10.5 | 12.9 |
| Adjusted Debt/Adjusted Net worth | Times | 0.19 | 0.17 |
| Interest coverage | Times | 16.4 | 20.6 |

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

| ISIN | Name of instrument | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs crore) | Complexity level | Rating assigned with outlook |
|------|---------------------------------------|-------------------|-----------------|---------------|-----------------------|------------------|------------------------------|
| NA | Cash Credit | NA | NA | NA | 2.0 | NA | CRISIL BB+/Stable |
| NA | Term Loan | NA | NA | Apr-23 | 1.3 | NA | CRISIL BB+/Stable |
| NA | Proposed Long Term Bank Loan Facility | NA | NA | NA | 0.2 | NA | CRISIL BB+/Stable |

Annexure - Rating History for last 3 Years

| | | Current | | 2022 (History) | | 2021 | | 2020 | | 2019 | | Start of 2019 |
|-----------------------|------|--------------------|-------------------|----------------|--------|----------|------------------|------|--------|----------|-------------------|---------------|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | LT | 3.5 | CRISIL BB+/Stable | | -- | 19-02-21 | CRISIL BB/Stable | | -- | 06-12-19 | CRISIL BB-/Stable | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount | Name of Lender | Rating |
|----------|--------|----------------|--------|
|----------|--------|----------------|--------|

| | (Rs.Crore) | | |
|---------------------------------------|------------|-------------------|-------------------|
| Cash Credit | 2 | HDFC Bank Limited | CRISIL BB+/Stable |
| Proposed Long Term Bank Loan Facility | 0.2 | Not Applicable | CRISIL BB+/Stable |
| Term Loan | 1.3 | HDFC Bank Limited | CRISIL BB+/Stable |

This Annexure has been updated on 13-Mar-2023 in line with the lender-wise facility details as on 24-Feb-2023 received from the rated entity.

Criteria Details

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| Links to related criteria |
| CRISILs Bank Loan Ratings |
| The Rating Process |
| Understanding CRISILs Ratings and Rating Scales |
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