

December 16, 2021 <sup>(Revised)</sup>

## Mahesh Value Products Private Limited: Ratings reaffirmed and rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Cash Credit	7.00	7.00	[ICRA]BBB-(Stable); reaffirmed
Proposed Unallocated Limits	0.20	0.20	[ICRA]BBB-(Stable); reaffirmed
Term Loans	-	3.38	[ICRA]BBB-(Stable); reaffirmed
Letter of Credit	4.00	4.00	[ICRA]A3; reaffirmed
<b>Total</b>	<b>11.20</b>	<b>14.58</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings continue to factor in the extensive experience of Mahesh Value Products Private Limited's (MVPPL) promoters in the sports goods and food products industries, and its established brands, Stumper and TT in sports and food products segments, respectively. The company is expected to record moderate revenue growth of 4-8% in FY2022 after a strong growth of ~23% in FY2021. Revenue growth in FY2021 was largely owing to significant volume growth from its Asafoetida segment which is a major revenue contributor to MVPPL, while the sales volumes in sports segment remained subdued as the outdoor activity was impacted by the pandemic. Further, healthy increase in price realization across segments helped with revenue growth. The company's margins would be under pressure in FY2022 owing to significant increase in raw material costs in both foods and sports division. The high margin in rubber ball segment is supported by the renowned "Stumper" brand, which has resulted in its ability to command a price premium.

The ratings continue to factor in MVPPL's comfortable credit metrics, characterised by moderate profitability and nominal reliance on external borrowings. The ratings, however, continue to be constrained by MVPPL's modest scale of operations, restricting its operating flexibility. The ratings remain constrained by the intense competition, limited bargaining power with suppliers owing to the fragmented nature of the industry and the susceptibility of profit margins to fluctuations in raw material prices. The company's liquidity position is expected to moderate in FY2022 as MVPPL has undertaken a share buyback program for Rs. 4.0 crore.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that MVPPL will continue to benefit from its established brands and its diversified revenue mix.

### Key rating drivers and their description

#### Credit strengths

**Established brands and long track record** – MVPPL is among the few established brands in the cricket ball segment, which enables it to command a premium pricing. Its brands, Stumper, in the rubber ball segment and TT in asafoetida products have several decades of presence in the domestic market .

**Comfortable credit metrics** –The company's debt levels continue to remain low as indicated by comfortable of 0.2 times as on March 31, 2021. The coverage indicators remained healthy with Total debt/OPBITDA at 0.9 times and TOL/TNW at 0.7 times, as

on March 31, 2021. Interest coverage and DSCR improved to 7.6 times and 3.3 in FY2021 from 5.2 times and 2.0 times, respectively, in FY2020, owing to higher OPBITDA.

## Credit challenges

**Modest scale of operations** – MVPPL's scale of operations continued to remain modest despite healthy revenue growth of ~23% in FY2021, increasing revenues to 70.2 crore in FY2021 from 56.9 crore in FY2020. Revenue growth was largely owing to significant volume growth from its Asafoetida segment, which is a major revenue contributor to MVPPL. With recovery in demand for sports equipment and healthy demand for foods segment, MVPPL is expected to post revenue growth in FY2022 despite the uncertainties caused because of the pandemic. As per provisional figures, in YTD<sup>1</sup> FY2022, the company achieved sales of Rs. 42.4 crore.

**Intensely competitive and fragmented industries with low entry barriers** – MVPPL operates in intensely competitive industries with numerous organised and unorganised players and low entry barriers for new entities. However, it continues to benefit to an extent because of its established brand name in India in the rubber ball segment and in South India for the asafoetida segment, where it has been able to secure moderate margins.

**Susceptibility of margins to raw material price variations** – The raw material prices in both the segments are volatile and witness seasonal variation as well. However, the company's selling prices are relatively fixed on account of intense competition, resulting in susceptibility of margins to raw material price fluctuation risk. The key raw materials used in manufacturing rubber ball/tennis ball is rubber, which is sourced from Kerala. The price of natural rubber has witnessed high volatility in the recent past. Nonetheless, given the established brand the company commands a price premium for its rubber ball products and is able to partially pass on the hike in raw material prices. The major raw materials for asafoetida are asafoetida plants and edible gum which are mainly available in countries like Afghanistan, Iran and Sudan, respectively. These countries are exposed to social unrest. Consequently, any shortage of raw materials would result in an adverse impact on prices. Raw material prices for Asafoetida increased by 50% in FY2022. However, asafoetida is consumed in very small quantity and demand remains largely inelastic to price fluctuations.

## Liquidity position: Adequate

MVPPL's liquidity is **adequate**, supported by retained cash flows of Rs. 4 - 6 crore over the next three years, monthly average undrawn working capital limits of ~Rs. 6 crore during the period September 2020 to August 2021 and cash and liquid investments of Rs. 4.0 crore as on March 31, 2021, against its repayment obligation of ~Rs 1 crore per annum. MVPPL has undertaken a share buyback program for Rs. 4.0 crore.

## Rating sensitivities

**Positive factor** – ICRA could upgrade MVPPL's ratings if the company demonstrates a healthy improvement in its scale of operations by diversifying its product profile while sustaining its profitability metrics and capital structure.

**Negative factor** – Pressure on MVPPL's rating could arise if there is a decline in its scale of operations or any significant stretch in the company's capital structure owing to any sizeable debt-funded capital expenditure or an elongation in the working capital cycle. Specific credit metrics that could exert pressure on the rating include a decline in RoCE below 12% or if TD/OPDITA increases to more than 3.0 times on a sustained basis.

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<sup>1</sup> YTD – Upto 10.11.2021

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on MVPPL's standalone financial statements

## About the company

MVPPL was established as a private limited company in 2008. The company is promoted by Mr. Nagarajan and Mr. N Parameshwari. The promoters started the business in 1985 in the name of Maheshwari Traders as a manufacturer of tablets of camphor. Later, they started Mahesh Rubbers in 1997 to cater to India's sporting community, under the brand, Stumper. Mahesh Rubbers was then converted into a private limited company and was renamed as Mahesh Elastomers Private Limited in 2000. Mahesh Elastomers acquired TT Asafoetida, a 125-years old brand. Subsequently, in 2008, all the independent units were merged to form a corporate entity. At present, there are three divisions in MVPL, namely sports, spices and trade.

In FY2021, the company reported a net profit of Rs. 3.2 crore on an operating income (OI) of Rs. 70.2 crore compared to a net profit of Rs. 2.0 crore on an OI of Rs. 56.9 crore in FY2020. As per provisional figures, in YTD<sup>2</sup> FY2022, the company achieved sales of Rs. 42.4 crore.

## Key financial indicators

	FY2020	FY2021
Operating Income (Rs. crore)	56.9	70.2
PAT (Rs. crore)	2.0	3.2
OPBDIT/OI (%)	8.9%	9.0%
PAT/OI (%)	3.5%	4.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.7
Total Debt/OPBDIT (times)	0.6	0.9
Interest Coverage (times)	5.2	7.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

<sup>2</sup> YTD – Upto 10.11.2021

## Rating history for past three years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					16- Dec-2021	3-Dec-2020	17-Oct-2019	-
1	Cash Credit	Long-term	7.00	-	[ICRA]BBB-(Stable); reaffirmed	[ICRA]BBB-(Stable); reaffirmed	[ICRA]BBB-(Stable); assigned	-
2	Proposed Unallocated Limits	Long-term	0.20	-	[ICRA]BBB-(Stable); reaffirmed	[ICRA]BBB-(Stable); reaffirmed	[ICRA]BBB-(Stable); assigned	-
3	Term Loans	Long-term	3.38	2.74	[ICRA]BBB-(Stable); reaffirmed	-	-	-
4	Letter of Credit	Short-term	4.00	-	[ICRA]A3; reaffirmed	[ICRA]A3; reaffirmed	[ICRA]A3; assigned	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash Credit	Simple
Proposed Unallocated Limits	Not applicable
Term Loans	Simple
Letter of Credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

### Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs crore)	Current Rating and Outlook
Axis Bank	Cash Credit	-	-	-	7.00	[ICRA]BBB-(Stable)
NA	Proposed Unallocated Limits	-	-	-	0.20	[ICRA]BBB-(Stable)
Axis Bank	Term Loans	FY2021	8.00%	FY2025-26	3.38	[ICRA]BBB-(Stable)
Axis Bank	Letter of Credit	-	-	-	4.00	[ICRA]A3

Source: Company

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	-	-

Source: Company

### Corrigendum

Document dated December 16, 2021 has been corrected with the revision as detailed below:

- Section Revised: Under 'Annexure-1: Instrument details' on Page number 4, name of the lender(s) has been added

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### Branches



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