



Manorama Industries Limited

August 17, 2021

To,
The Manager
BSE Limited
P. J Towers, Dalal Street,
Fort, Mumbai — 400 001

BSE Code: 541974

Dear Sir / Madam,

Sub.: Credit Rating - India Ratings has Upgraded Manorama Industries Limited to 'IND BBB+'; Outlook Stable

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to intimate you that India Ratings & Research, the rating agency has upgraded Manorama Industries Limited's (MIL) Long-Term Issuer Rating to 'IND BBB+' from 'IND BBB'. The Outlook is Stable.

Enclosed herewith the Instrument wise rating actions.

Request you to take this information on records.

Thanking you,

For Manorama Industries Limited



Vinita Saraf
Chairperson & Managing Director
DIN: 00208621

Encl: As above

Corporate Office :

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Raipur - 492007
Chhattisgarh, INDIA
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E-mail: info@manoramagroup.co.in
Web: www.manoramagroup.co.in
CIN : L15142MH2005PLC243687
GSTIN : 22AAECM3726C1Z1

Manufacturing Plant:

Paraswani Road, Industrial Area,
Birkoni, 493445
Mahasamund (C.G.) INDIA
Tel: 0772-3224227/8/9/30

ISO 9001, ISO 14001, ISO 45001 FSSC 22000 RSPO Certified Company
A Government of India Recognized Star Export House

Registered Office :

Office No. 403, 4th Floor, Midas, Sahar Plaza,
Andheri Kurla Road, Andheri East Mumbai
Mumbai City MH 400059 INDIA
GSTIN : 27AAECM3726C1ZR
Mumbai. Tel. 022 22622299
Tel. 022 49743611, Tel. 022 67088148

India Ratings Upgrades Manorama Industries to 'IND BBB+'; Outlook Stable

17

AUG 2021

By Sinjini Bakshi

India Ratings and Research (Ind-Ra) has upgraded Manorama Industries Limited's (MIL) Long-Term Issuer Rating to 'IND BBB+' from 'IND BBB'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based facilities	-	-	-	INR1,320	IND BBB+/Stable	Upgraded
Long-term loans	-	-	March 2026	INR212.4	IND BBB+/Stable	Upgraded
Proposed fund-based limits	-	-	-	INR467.6	IND BBB+/Stable	Upgraded

KEY RATING DRIVERS

Improvement in Liquidity Likely on Issuance of Equity Shares: The upgrade reflects the likely boost the company's liquidity will witness as the allotment of 7,91,900 preferential equity shares was completed on 11 August 2021 upon the receipt of INR1,008.88 million towards application money. The funds raised are likely to be used partly for the planned capital expenditure amounting to INR650 million.

Improved Revenue, Likely to Increase further in FY22: The revenue grew to INR2,084 million in FY21 (FY20: INR1,882 million), owing to increased volumes, as the company met the strong demand through its manufactured products. The scale of operations is moderate. The agency expects MIL's revenue to grow substantially in FY22 owing to the increased utilisation of its installed units. In FY21, the company had an installed capacity of 90,000 metric tonne per annum with a utilisation of 41%.

Average EBITDA Margin: MIL's margin contracted to 17.10% in FY21 (FY20: 23.29%), due to increased logistics and raw material costs. Its return on capital employed stood at 12% in FY21 (FY20: 19%).

Comfortable Credit Metrics: MIL's credit metrics remained comfortable in FY21 even as its gross interest coverage (operating EBITDA/gross interest expense) deteriorated to 3.4x in FY21 (FY20: 4.5x), due to a fall in the absolute EBITDA to INR356.46 million (INR438.47 million). The net financial leverage (adjusted net debt/operating EBITDAR) improved to 2.2x in FY21 (FY20: 2.3x), due to a decline in the net borrowings to INR848.54 million (INR1,193.54 million). The agency expects the company's credit metrics to improve in FY22, due to the revenue-led increase in the absolute EBITDA.

Liquidity Indicator - Adequate: The company's average maximum utilisation of the fund-based limits was 55.79% during the 12 months ended June 2021. The cash flow from operations and free cash flows turned positive at INR119.36 million in FY21 (FY20: negative INR1,020.23 million) and INR207.96 million (negative INR977 million), respectively, driven by its improved working capital cycle.

MIL's elongated net working capital cycle improved to 338 days in FY21 (FY20: 580 days), due to a decline in the inventory level. The agency expects MIL's cash flow from operations and free cash flow to decline over the near term on account of planned capex; the company plans to incur a total equity-funded capex of INR650 million over FY22 and FY23 for the installation of its solvent extraction plant unit. The company had an emergency credit line guarantee scheme loans outstanding of INR212.4 million at end-July 2021, scheduled to be repaid by March 2026.

Strong Counterparty Presence: MIL derives a major of its revenue by supplying to customers from the chocolate and confectionery industry, with a significant portion of the balance revenues coming from the cosmetics industry. Being the only processor of tree-based specialty butter and fats in India, MIL has a reputed clientele including Mondelez India Foods Pvt Ltd, Walter Rau Neusser and BL Agro Industries. MIL caters to domestic as well as foreign clients (from Italy, Japan, U.K., Singapore, Denmark and so on) and its exports contributed 64% to the total revenue in FY21.

Early Stage of Own Manufacturing Operations: The company's nascent stage of manufacturing is a constraining factor. MIL procures, processes and supplies exotic and speciality fats and butters. The company discontinued the trading part of its business in FY19 and started focusing on the procurement and manufacturing of exotic butter and fats. Until FY20, all the processes (other than fractionation) were outsourced; however, FY21 onwards, the company commenced operations at its own manufacturing unit.

RATING SENSITIVITIES

Positive: A substantial improvement in the scale of operation and the successful completion of the planned capex without any time or cost overrun, along with continued adequate liquidity and comfortable credit metrics, on sustained basis will be positive for the ratings.

Negative: Deterioration in the scale of operations or a decline in the credit metrics with the net leverage above 2.5x, on a sustained basis, or deterioration in the liquidity will be negative for the ratings.

COMPANY PROFILE

Incorporated in 2005, MIL is based in Raipur, Chhattisgarh and is engaged in the manufacturing, processing and supply of exotic and speciality fats and butters such as seed refined oil, stearin, olein and cocoa butter equivalent. The company is part of Manorama Group and is promoted by the Saraf family (69.18% shareholding). The managing director is Vinita Saraf.

Particulars	FY21	FY20
Revenue (INR million)	2,084.39	1,882.43
Operating EBITDA (INR million)	356.46	438.47
EBITDA margin (%)	17.10	23.29
Interest coverage (x)	3.4	4.5
Net leverage (x)	2.2	2.3

NON-COOPERATION WITH PREVIOUS RATING AGENCY

MIL is listed under the Non Co-operation by the Issuer category by Brickwork Ratings Ltd due to inadequate information provided by the company.

RATING HISTORY

Instrument Type	Current Ratings/Outlook			Historical Ratings/Outlook
	Rating Type	Rated Limits (million)	Rating	30 July 2021
Issuer Rating	Long-term		IND BBB+/Stable	IND BBB/Positive
Term loan	Long-term	INR212.4	IND BBB+/Stable	IND BBB/Positive
Fund-based facility	Long-term	INR1,787.6	IND BBB+/Stable	IND BBB/Positive

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Fund-based limits	Low
Term loans	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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Applicable Criteria

Corporate Rating Methodology

Analyst Names

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