



RATING RATIONALE

16 April 2021

Marut Nandan Paryatan Ltd

Brickwork Ratings downgrades the Long Term Ratings for the Bank Loan Facilities of Rs. 6.05 crores of Marut Nandan Paryatan Ltd ('MNPL' or 'The Company') under INC.

Particulars

Facilities*	Previous Amount Rated (Rs. Crs)	Present Amount Rated (Rs. Crs)	Tenure	Previous Ratings (Oct, 2019)	Ratings Assigned#
Fund Based	6.90	6.05	Long Term	BWR B+ (Stable) Reaffirmed	BWR B (Stable) Downgraded
Total	6.90	6.05	Rs. Six Crores and Five Lakhs Only		

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) has downgraded the Long Term rating to BWR B (Stable) for the bank facilities of Marut Nandan Paryatan Ltd ('MNPL' or 'The Company').

The rating downgrade factors in the decline in overall financial profile, product concentration risk, intense competition in the commodity trading business and volatility of demand for guar gum. However, these weaknesses are partially offset by the extensive experience of the management of the company, temporary liquidity cushion due to disbursement of additional Covid relief Term loans during FY21.

The outlook is Stable as the company's commodity business is expected to perform on account of an improved economic environment which provides revenue visibility in the medium term.

BWR has principally relied upon the standalone audited financial results of MNPL upto 31st March 2020, FY21 provisional financials and projected financials for FY22 and FY23 and publicly available information/ clarifications provided by the company's management.

Credit Strengths:

- **Extensive experience of management:** The management of the company have decades of experience in the commodity trading business. Their knowledge of the industry has helped them in maintaining long term relation with their customers and suppliers.

- **Temporary liquidity cushion** - The company has availed the moratorium on its term loan principal repayments for two years from Jan 2021. Also, the company has been sanctioned with additional short term two term loans (Covid relief) with repayment moratorium of 1 year and 2 years totalling to Rs. 1.41 Cr. disbursed in May 2020. This might provide a temporary liquidity cushion to the company with no principal repayment obligation in the near term.

Credit risks:

- **Decline in overall financial performance in FY21** - The total revenue generated by the company in FY20 was stable at Rs. 27.82 Cr. against Rs. 27.8 Cr. in FY19. However, the sales were heavily impacted in FY21 on account of lack of demand from its industrial customers due to the pandemic situation. The sales dropped significantly by 78% y-o-y from Rs. 27.82 Cr. in FY20 to Rs. 6.14 Cr. in FY21 (Prov.). The amusement park was closed most of the year due to the restrictions imposed by the government. As a result of drop in top line, the company incurred operating loss of Rs. 0.17 Cr. in FY21 (Prov.). DSCR of the company decreased from 1.85 times in FY19 to 1.39 times in FY20 and further fell to -0.19 times in FY21 (Prov.). ISCR also decreased significantly from 2.38 times in FY20 to -0.26 times in FY21 (Prov.). Tangible net worth of the company is on a decreasing trend from Rs. 7.14 Cr. in FY19 to Rs. 4.18 Cr. in FY21 (Prov.).
- **Product concentration risk** - Out of the commodity trade, which contributes 91% to the total revenue, guar gum is sold the maximum accounting for 80% of the trade sale in FY20. Although guar gum has multiple uses in the industrial sector, a significantly higher percentage of sales could lead to single product concentration risk to the company.
- **Intense competition in the commodity trading business:** Entry barriers in the commodity trading business are low with minimal value addition, thus making the industry highly competitive and fragmented with numerous unorganised players. This in turn limits the pricing flexibility and affects the bargaining power of the company, thereby placing pressure on the profitability.
- **Volatility of demand for guar gum** - Guar gum sale accounts for the majority of the sales in the commodity trade business of the company which faces risk from volatility of demand from oil companies. Fluctuations in the oil drilling activities can significantly impact the demand of guar gum by the oil companies, which can discourage the Indian exporters to trade and can also impact the pricing directly.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). BWR has considered the standalone approach to arrive at the rating.

RATING SENSITIVITIES

Upward: BWR may revise the ratings upward in the case of a substantial improvement in the scale of operations, along with considerable improvement in the overall financial profile.



Downward: BWR may revise the rating downward in the case of deterioration in debt protection metrics and further fall in the total operating income of the company.

Liquidity Position (Stretched)

The cash and cash equivalent stood modest at Rs. 0.03 Cr. in FY20 (FY21 Prov: Rs. 0.49 Cr.). Average working capital utilization (OD limit) during the last six months ending 31st March 2021 was 98% leaving little room for emergency payments. The debt protection indicators marked by DSCR and ISCR stood modest at 1.39 times and 2.38 times in FY20. However, the company incurred EBITDA loss of Rs. 0.17 Cr. as per FY21 provisionals which might create difficulties in debt/interest repayment obligations in the near future. The current ratio of the company also stood weak at 0.34 times in FY20 (FY21 Prov: 0.59 times) indicating stretched liquidity overall.

About The entity:

Marut Nandan Paryatan Limited (MNPL) was incorporated in 1980 at Adampur, Haryana. Initially started as Marut Nandan Overseas Ltd, it was engaged in providing diesel oil services etc until the 1990s. The company however, changed into Marut Nandan Paryatan Limited in 2002. The company is engaged in physical trading of commodities like Guar seeds, guar dal, guar powder, sarso, chana etc. depending upon the seasonal nature and requirement of the products in Hisar, Haryana. In addition they are also engaged in the business of running an Amusement park named Fun Valley Park located at Dehradun, Uttaranchal.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Operating Revenue	INR crs.	27.68	27.82
OPBDIT	INR crs.	2.66	1.64
PAT	INR crs.	0.08	-0.65
Tangible Net Worth (TNW)	INR crs.	7.14	6.49
Total Debt/TNW	Times	1.11	1.10
Current Ratio	Times	0.69	0.34

Key covenants of the instrument/facility rated: Not Applicable

Status of non-cooperation with previous CRA (if applicable): Reason and comments: NA

Any other information: NA

Rating History for the last three years [Including Withdrawal and Suspended rating]

S.No.	Facilities	Current Rating (2021)				Rating History				
		Type	Tenure	Amount (₹ Cr)	Rating	2020	2019		2018	
							Amount (₹ Cr)	Rating	Amount (₹ Cr)	Rating
1.	Bank Loan	Fund Based	Long Term	6.05	BWR B (Stable) Downgraded	-	6.90	BWR B+ (Stable) Reaffirmed	10.00	BWR B+ (Stable) Assigned

COMPLEXITY LEVELS OF THE INSTRUMENTS

Simple.

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

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ANNEXURE I

Marut Nandan Paryatan Ltd
Details of Bank Facilities rated by BWR

Sl.No.	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	ODIP	2.12		2.12
2.	Term Loan	3.93		3.93
TOTAL				6.05

Total Rupees Six Crores and Five Lakhs Only.

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