

Narmada Gelatines Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	16.40	CARE BBB; Stable	Assigned
Long-term / Short-term bank facilities	21.60	CARE BBB; Stable / CARE A3+	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Narmada Gelatines Limited (NGL) derives strength from its established track record of operations for over 50 years in gelatine manufacturing, repeated orders from reputed customer base, healthy profitability with low reliance on debt leading to strong financial risk profile and adequate liquidity.

The ratings also take cognisance of expected growth in Total Operating Income (TOI) and improvement in operational parameters consequent to acquisition of majority stake by Pioneer Jellice Group (PJG).

The ratings, are however, constrained due to NGL's moderate scale of operations and vulnerability of its profitability to volatile raw material prices and improving demand from alternatives such as vegan products.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in TOI above ₹220 crore while maintaining its existing Profit before interest, lease rental, depreciation and taxes (PBILDT) margin and financial risk profile.
- Sustained improvement in working capital cycle below 90 days.

Negative factors

- Decline in TOI below ₹150 crore and/or decline in PBILDT margin below 10% on a sustained basis.
- Any debt-funded capex/acquisition resulting in overall gearing above 0.5x.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company shall continue to benefit from its experienced promoters and healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established track record of operations with expected synergy benefit from Pioneer Jellice Group

NGL has over five decades of track record of operations in Gelatine manufacturing. In June 2023, PJG (the group) has acquired 75% stake in NGL. In December 2024, NGL and the group acquired ~53% stake in India Gelatine & Chemicals Limited (IGCL), with NGL holding 14%. NGL is expected to benefit from the group's synergies, including higher bargaining power for raw material procurement, sharing of best practices, leading to enhanced operational efficiency and profitability.

Healthy profitability and financial risk profile

NGL's profitability has historically fluctuated due to volatile raw material prices. However, over the last three fiscal years, it has shown an upward trend. In FY24 (FY refers to the period April 01 to March 31), NGL's PBILDT margin improved y-o-y by 127 bps (to 11.58%) from FY23. During 9MFY25 (provisional), NGL reported PBILDT margin of 12.28%.

NGL's capital structure has remained largely debt free during last five years ended FY24. However, in H1FY25, NGL has availed term loans and working capital facilities resulting in overall gearing of 0.19x as of H1FY25 end on a net worth base of ₹110.72 crore. Debt coverage indicators remained comfortable with a PBILDT interest coverage ratio of 35.07x and a total debt to gross cash accruals (GCA) of 2.39x for H1FY25.

Reputed customer base

NGL has developed strong relationships with key customers, which has helped them in getting repeated orders. NGL's customer base includes some of the reputed pharma/capsule manufacturers such as Geltec Private Limited, ACG Associated Capsules Pvt Ltd, Fortcaps Healthcare Limited among others for gelatine. DCP is sold to local customers. Further, top 10 customers have contributed ~40-45% to NGL's TOI in last two financial years and 9MFY25.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key weaknesses

Moderate scale of operations

NGL's Total operating Income (TOI) grew at compounded annual growth rate (CAGR) of 7.79% during last five years and stood at ₹181.56 crore for FY24. However, TOI has declined from FY23 level of ₹191.09 crore due to reduction in sales volume and sales realisation of DCP.

In 9MFY25 (Provisional), NGL has reported TOI of ₹139.15 crore. TOI is expected to improve with the synergy benefits derived from the PJG.

Profitability susceptible to raw material price volatility and improving demand for alternatives

Crushed animal bones are the key raw materials for NGL and its market is highly unorganised, which exposes NGL's margin to volatility in its prices. The availability of crushed animal bones fluctuated significantly in FY24 due to lower slaughtering rates and slow movement of bone meal, especially in the second half, leading to price increases.

However, with reduced bone-based gelatine production in Europe, prices are expected to decrease in FY26, with manufacturers likely to import raw materials. The growing demand for vegetarian and vegan products has led to an increase in plant-based gelatine substitutes, which poses a significant challenge to the traditional gelatine market. Additionally, cultural and religious restrictions are further hindering market expansion.

Planned capex and expected benefits

NGL plans to enhance its manufacturing capacity and upgradation of machinery, along with installing a 2.15 MW solar plant for captive consumption, at an estimated cost of ₹33.30 crore over two years (FY25: ₹16.64 crore and FY26: ₹16.66 crore). This project expected to be funded through a term loan of ₹18 crore (FY25: ₹9.75 crore and FY26: ₹8.25 crore), and the remaining by internal accruals. The upgrades are expected to increase production capacity and reduce operational costs.

Liquidity: Adequate

NGL's liquidity remained adequate, with healthy cash accruals of ₹17.36 crore in FY24, against scheduled debt repayments of ₹0.98 crore to ₹3.60 crore over the next three years. In 9MFY25, NGL has generated cash accruals of ₹13.77 crore. As of September 2024, NGL's cash and liquid investments (including lien marked funds) stood at ₹34.36 crore, mainly used for acquiring a stake in IGCL. The average bank line utilization for the six months ending February 2025 was 65%, with a peak of 81%. However, NGL's operating cycle was elongated at 116 days in FY24 due to a 10–12-week production period.

NGL paid ₹6.05 crore in dividend in 9MFY25 and has consistently paid dividend in the last five years, except for FY24, which led to a decline in net worth. Higher-than-envisaged dividend resulting in increase in reliance on debt remains crucial and hence a key rating monitorable.

Environment, social, and governance (ESG) risks – Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Speciality Chemicals

Incorporated in 1961, NGL (CIN: L24111MP1961PLC016023) is a listed company, engaged in manufacturing Gelatine and its by products, such as di-calcium phosphate (DCP) and Ossein. NGL has a manufacturing capacity of 2400 MT per annum for Gelatine and 10,600 MT per annum of DCP. The manufacturing facility of the company is near Jabalpur, Madhya Pradesh. In June 2023, NGL has been taken over by PJG by acquiring 75% stake from Alfamont (Mauritius) Limited.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	191.09	181.56	139.15
PBILDT	19.70	21.02	17.09
PAT	16.69	15.90	12.11
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	64.56	81.14	20.11

A: Audited, Prov.: Provisional, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	21.60	CARE BBB; Stable / CARE A3+
Term Loan-Long Term		-	-	31-03-2030	16.40	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Term Loan-Long Term	LT	16.40	CARE BBB; Stable				
2	Fund-based - LT/ ST-Cash Credit	LT/ST	21.60	CARE BBB; Stable / CARE A3+				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Ujjwal Manish Patel Associate Director CARE Ratings Limited Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in Nisarg Shah Lead Analyst CARE Ratings Limited E-mail: Nisarg.shah@careedge.in
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