Madhusudan Masala Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10.26 (Reduced from 12.08)	CARE BB+; Stable	Upgraded from CARE BB; Positive
Long Term / Short Term Bank Facilities	65.00 (Enhanced from 42.00)	CARE BB+; Stable / CARE A4+	LT rating upgraded from CARE BB; Outlook revised from Positive and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the long-term rating assigned to the bank facilities of Madhusudan Masala Limited (MML) considers increasing scale of operations aided by increase in sales volume with addition of dealers penetrating newer geographies. During FY24 (Audited; period refers from April 01 to March 31), total operating income (TOI) improved by 27% on a y-o-y basis to ₹162.34 crore. In July-2024, MML acquired Vitagreen Products Private Limited (VGPPL) as 100% subsidiary, allowing access to new product segments & increase in manufacturing capacity. MML reported a TOI of ₹99.59 crore on a consolidated basis in H1FY25 (Unaudited; period refers from April 01 to September 30). The ratings also reflect significant improvement in MML's profitability since FY23. Ratings continue to be supported by experienced promoters and diversified product portfolio with established distributor network.

The ratings, however, are constrained by moderate solvency position and geographically concentrated revenue base, along with stretched liquidity due to high working capital utilization and elongated inventory cycle. The ratings, further, continue to remain constrained due to susceptibility of margins to fluctuating raw material prices and MML's presence in highly fragmented and competitive spices industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in scale of operations marked by TOI of more than ₹200 crore and while maintaining Profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 10%.
- Improvement in debt coverage indicators marked by interest coverage ratio above 4x and total debt to Gross cash accruals (TD/GCA) below 4x on a sustained basis.

Negative factors

- Decline in TOI below ₹100 crores or PBILDT margin below 5% on a sustained basis.
- Any higher than envisaged debt funded capex leading to further deterioration in capital structure over 1.5x.
- Elongation in operating cycle beyond 180 days on a sustained basis leading to deterioration in overall liquidity position of the company.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has changed analytical approach from 'standalone' to 'consolidated' with acquisition of 100% stake in Vitagreen Food Products Private Limited (VGPPL) from July 2024 onwards. Details of the subsidiary consolidated with MML is mentioned in **Annexure-6.**

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of MML being able to sustain its growing scale of operations aided by growing dealer/distributor base coupled with improved sales volumes on a consolidated basis.

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

Detailed description of key rating drivers:

Key weaknesses

Moderate solvency position

The capital structure of MML as marked by an overall gearing improved although continued to remain moderate at 1.13x as on March 31, 2024, and 2.73x as on March 31, 2023 on a standalone basis. However, it improved to 0.84x as on September 30, 2024, on a consolidated basis. The improvement is mainly due to increase in the tangible net worth of led by accretion of profits to reserves as well as equity raised through Initial Public Offer (IPO). Debt coverage indicators of MML improved however it remained moderate as marked by TDGCA of 5.17x as on March 31, 2024, as against 7.10x as on March 31, 2023. Interest coverage ratio remained moderately comfortable at 3.91x in FY24 and 3.71x in H1FY25 against 3.54x in FY23.

Elongated operating cycle owing to large inventory requirements

MML's operating cycle deteriorated to 135 days in FY24 compared to 91 days in FY23 as MML's raw materials are predominantly agro commodities, like Chilly, Turmeric, and Coriander which are seasonal in nature and are available readily only for a few months in a year requiring adequate stocking levels of raw materials leading to elongated average inventory holding days of 82 days in FY24 (PY: 61 days). MML procures approximately 50-60% of its inventory during peak seasons and the remainder throughout the year based on order flow. Further, the company grants credit period of 60-90 days to its customers while it repays its suppliers within 1-7 days to avail cash discount on bulk purchases. Consequently, the operations of MML remained working capital intensive. The company has built up inventory as the management plans to increase raw material and finished goods inventory to fulfil repeated orders/demand of its customers and also to gain from increasing price momentum. Stock level needs to be maintained to avoid price fluctuations.

Vulnerability to fluctuating raw material prices

Raw materials required for producing spices are agro-based commodities such as chilli, turmeric, coriander, raw mangoes, cloves, salt, and cardamom. MML's profitability is vulnerable to adverse movements in prices of raw materials, which are seasonal in nature. Hence, ability to maintain consistent profitability margins and manage competition within the industry is key rating monitorable.

Presence in highly fragmented and competitive spices industry

The spice industry is highly fragmented due to low entry barriers. Hence, MML faces competition from organised and unorganised players. Within the organised sector, it faces competition from several established players such as MDH Spices, Everest Spices, Catch Foods, Mother's Recipe, Ramdev, Badshah Masala, among others. High competition within the industry limits the ability of the concern to transfer increasing raw material prices, as it involves the risk of becoming less competitive. MML's ability to sustain its overall business profile amid intense competition is critical from the credit perspective.

Key strengths

Experienced promoters with established track record of operations

Dayalji Kotecha and Vijay Kotecha had established the business in 1982 and thus have around 4 decades of experience in the spices industry. Rishit and Hiren Kotecha are the second-generation entrepreneur. Rishit Kotecha, Managing Director, have around 2 decades of experience in the industry and looks after financial, compliance and marketing activities of the company. Hiren Kotecha also has 2 decades of experience and looks after planning, operations and packaging activities of the company. The promoters are also supported by a team of experienced and trained employees.

Growing scale of operations and profitability

The scale of operations of MML as marked by TOI shown continuous growth since FY22. TOI of the company remained at ₹162.34 crore in FY24 as against ₹127.40 crore in FY23. The substantial growth is majorly attributable to regional diversification, with the appointment of distributors in states like Maharashtra, Punjab, Jammu & Kashmir, and Uttar Pradesh, expanding beyond its earlier focus on Gujarat, particularly Saurashtra. In H1FY25, MML reported TOI of ₹99.59 crore on a consolidated basis. The profitability position of MML manifested continuous growth as marked by PBILDT margin at 10.74% in FY24 increased from 9.80% in FY23. In H1FY25, the margins continued to improve 11.38% on a consolidated basis. Consequently; PAT margin also improved to 5.59% in FY24 against 4.19% in FY23. Further, in H1FY25 MML PAT margin remained at 6.56% on a consolidated basis.

Diversified product portfolio and established distributor network

MML is engaged primarily in the processing of more than 32 types of ground and blend spices, mainly chilli powder, turmeric powder and coriander powder. The company sells under the brand name of "DOUBLE HAATHI" and "MAHARAJA" across the state of Gujarat, Maharashtra and Rajasthan. MML have developed a network of more than 2100 wholesalers and more than 3700 retailers. The company is also engaged in whole spices, tea, other grocery product such as Rajgira Flour, Soya Chunks, Achar Masala, Rock Salt, etc. Further, VGPPL- a wholly owned subsidiary of MML is also into manufacturing of blended spices and instant mixes under the brand name of "77 Green".

Liquidity: Stretched
The liquidity position of MML remained stretched as marked by higher utilization of working capital bank borrowings, low cash and bank balance, elongated operating cycle and negative cash flow from operations in FY24. The average utilization of working capital limits remained at ~80% during past twelve months ended February 28, 2025. Cash and bank balance remained low at ₹0.40 crore as on March 31, 2024 (PY: 0.41 crore). Operating cycle of MML moderated and remained elongated at 135 days in FY24 (91 days in FY23) due to increase in inventory holding and collection period. Gross cash accruals remained sufficient at ₹10.09 crore in FY24 as against debt repayment obligations of ₹2.61 crore arising in FY25. Cash flow from operations (CFO) deteriorated from negative of ₹9.47 crore in FY23 to negative CFO of ₹26.37 crore in FY24 majorly due to increase in trade receivables and inventories with growing scale of operations. Current and quick ratio remained at 1.89x and 1x respectively as on March 31, 2024 (PY:2.69x & 1.39x).

Applicable criteria

CARE Ratings' Criteria on Consolidation & Combined Approach
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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Madhusudan Masala Limited was formally established as Madhusudan & Co. (a partnership firm) since 1982 by Dayalji Kotecha and Vijaykumar Kotecha. Rishit Kotecha and Hiren Kotecha, second-generation entrepreneur joined family business since last two decades. Further, Madhusudan & Co. was converted into private limited company in December 2021, which later became a public company in 2023. During September 2023, MML came up with IPO to raise ₹23.8 crore and got listed on NSE SME (NSE Emerge) platform. Jamnagar (Gujarat) based MML is engaged in the business of manufacturing and processing of more than 32 types of Spices under the brand names of "Double Hathi" and "Maharaja". Installed capacity to process chilli powder, Turmeric powder and Coriander powder/Blend spices are 2400 MT, 1200 MT and 1200 MT respectively. MML's manufacturing facilities are accredited with ISO 9001:2015 for quality management system, ISO 22000:2018 for Food Safety Management System, HACCP for Hazard Analysis Critical Control Points and with FSSAI license under Food Safety and Standards Act 2006.
During July, 2024, MML acquired 100% stake in Vitagreen Products Private Limited (VGPPL) engaged into manufacturing and export of spices, instant food mixes and snacks. Incorporated in 2009 in Rajkot Gujarat, VGPPL has an operational presence in 12 states of India as well as Indonesia, Australia, South African Countries, Middle East & United Kingdom. Through this acquisition, MML now has presence in overseas markets apart from its already established presence in Indian markets.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
	Standalone		Consolidated
Total operating income	127.40	162.34	99.59
PBILDT	11.57	17.44	11.33
PAT	5.34	9.07	6.53
Overall gearing (times)	2.73	1.13	0.84
Interest coverage (times)	3.54	3.91	3.79

A: Audited UA: Unaudited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	28/02/2031	10.26	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	65.00	CARE BB+; Stable / CARE A4+

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	65.00	CARE BB+; Stable / CARE A4+	1)CARE BB; Positive / CARE A4+ (02-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	10.26	CARE BB+; Stable	1)CARE BB; Positive (02-Apr-24)	-	-	-

LT: Long term; ST: Short 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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Vitagreen Food Products Private Limited	Full	Wholly owned Subsidiary
2	Madhusudan Masala Limited	Full	Holding company

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.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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