

Manomay Tex India Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.84.89 Crores of Manomay Tex India Ltd. and changes the rating outlook to Positive.

Particulars:

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (30 July 2019)	Present
Term Loans	36.85#	31.89	Long Term	BWR BBB Stable	BWR BBB Positive (Reaffirmed)
Cash Credit	53.00#	45.50			
LC/BG	3.00	7.50	Short Term	BWR A3+	BWR A3+ (Reaffirmed)
PC/PCFC/FBP	(33.50)	(45.50)			
Total	92.85	84.89	INR Eighty Four crores and Eighty Nine Lakhs Only		

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

Complete details of Bank facilities is provided in Annexure-I

#Includes proposed TL of Rs.2.25 crs and proposed CC of Rs.19.50 crs

Company is also availing forward contract limit of Rs.3 crs apart from the above rated amount.

RATING ACTION / OUTLOOK

Reaffirmation in the ratings of Manomay Tex India Ltd. (MTIL or ‘the company’) factors in growth in scale of revenues and exports. During FY19, owing to expansion in exports and entry to newer markets abroad, the company’s total operating revenues improved to Rs.377 crs against Rs.286 crs and Rs.273 crs during FY18 and FY17 respectively. In FY18, the company’s total exports were Rs. 66 Crores which increased to Rs. 156.61 Crore in FY19. Presently, the company exports denim fabric to markets in Latin America, Egypt, Colombia, Turkey, Mexico, and the Middle East amongst others. Increase in exports is the result of extensive marketing efforts undertaken by the company.

Outlook: Positive

Positive outlook is in view of improved business performance and equity infusion during FY20. The company has achieved sales of Rs.205.69 crs in 6MFY20 with a net profit of Rs.2.98 crs and is expected to achieve its estimated revenues of Rs.411.79 crs in FY20. Additional equity by way of increase in paid up capital by Rs.2 crs and share premium of Rs.5 crs has been infused during current FY20.

KEY RATING DRIVERS

Credit Strengths

- Experienced Promoters: The company has on board a mix of promoter-directors and independent directors who have experience in the textile industry. Shri Kailash Chandra Laddha, promoter of the company, has experience of more than 3 decades in the textile manufacturing sector.
- Improvement in debt coverage metrics: Due to improvement in profitability, DSCR and ISCR of the company have improved to 1.42x and 3.48x respectively during FY18 against 1.32x and 3.04x respectively during FY17.

Credit Risks:

- Thin profitability margins: Operating profit margin and net profit margin during FY19 are 6.75% and 1.07% respectively against 6.20% and 1.16% respectively during FY18. Decline in net profit margin is on account of increased depreciation expenses and borrowing costs.
- Highly fragmented and competitive nature of textile industry and external factors: Textile industry is characterised by high fragmentation and competition due to the presence of a large number of small and unorganised players. During the last few months, the apparel export sector has been hit by the lingering effects of (i) demonetisation (ii) GST implementation and delayed refunds of input tax credits (iii) reduction in applicable duty drawbacks (iv) favorable manufacturing and export environment in low labour cost countries in Asia viz. Bangladesh, Vietnam, Cambodia etc.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Rating is sensitive to scale of operations and profitability. Any downside risk to total operating revenues (Rs.376.6 crs during FY19) and net profit margin (1.07% during FY19) may affect adverse rating action.

LIQUIDITY POSITION : Adequate

Adequate liquidity is characterised by sufficient cushion in cash accruals of Rs.13.78 crs (as per latest available audited financials for FY19) against debt repayment to the tune of Rs.9.08 crs during FY20 and Rs.8.85crs during FY21. During FY19, additional unsecured loans and deposits from corporates along with retention of profits and subsidy of Rs.2 crs resulted in improvement in net working capital by Rs.11 crs. During FY20, the company has infused additional equity of Rs.7 crs and has been sanctioned additional working capital facilities of Rs.12 crs (fund based) and Rs.4.50 crs (Non Fund based) to cater



to smooth operations of growth in scale of operations.

COMPANY PROFILE

Manomay Tex India Tex (Formerly, Manomay Tex India Private Limited), incorporated on 13th April 2009 with its current registered office at 32, Heera Panna Market, Pur Road, Bhilwara, Rajasthan is engaged in manufacturing and sale of different varieties of primarily denim fabrics. The company was converted to a public limited Company with effect from January 6, 2017. Kailash Chandra Laddha, Mahesh Chandra Laddha, Yogesh Laddha (MD), Kamlesh Laddha, Basant Porwal, Pallavi Laddha, Srinivas Bhattad and Dilip Porwal are the directors in the company. The company has two manufacturing units located at Chittorgarh (Rajasthan) and Ichalkaranji (Maharashtra) with an annual production capacity of 360 lakh meters of fabrics, mainly Denim.

The company has been maintaining long years of business relationship with its suppliers and domestic buyers. The company was awarded a 2 star export house status on 11th Feb 2019 (valid for 5 years) by DGFT under Ministry of Commerce & Industry, GoI. The company has also received the Texprocil Gold Awards for exports for 2 consecutive years, under CAT 1 (< Rs.100 crs exports) in FY18 and under CAT II (Rs.100 crs to Rs.300 crs) in FY19. The company is ISO 9001 and ISO 14001 certified.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018(Aud)	2019(Aud)
Operating Revenue	Rs. crs	286.04	376.62
EBITDA	Rs. crs	17.74	25.43
PAT	Rs. crs	3.32	4.03
Tangible Net worth	Rs. crs	38.88	44.89
Total Debt/Tangible Net worth	Times	2.05	2.09
Current Ratio	Times	1.33	1.30

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL

RATING HISTORY (Including ratings withdrawn and suspended)

S.No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type	Amount (₹ Crs)	Rating	30 Jul 2019	05 Jul 2018	09 Jun 2017
1	Term Loan	Long Term	31.89	BWR BBB Positive (Reaffirmed)	BWR BBB Stable	BWR BBB Stable	BWR BBB-Stable
2	Cash Credit		45.50				
3	LC/BG	Short Term	7.50	BWR A3+ (Reaffirmed)	BWR A3+	BWR A3+	BWR A3
4	PC/PCFC/FBP		(45.50)				
Total			92.85	Rupees Ninety Two crores and Eighty Five Lakhs Only			

ANNEXURE I

**Manomay Tex India Ltd
Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	State Bank of India, Industrial Estate Branch, Bhilwara	Cash Credit	25.00	NIL	25.00
2		TL-1	2.65	NIL	2.65
3		TL-2	5.37	NIL	5.37
4		TL-3	8.31	NIL	8.31
5		LC	NIL	5.00	5.00
6		PC/PCFC/FBP	NIL	(25.00)	(25.00)
7	Oriental Bank of Commerce, Gandhi Nagar, Bhilwara	Cash Credit	20.50	NIL	20.50
8		TL-1	4.87	NIL	4.87
9		TL-2	8.44	NIL	8.44
10		TL-3	2.25	NIL	2.25
11		LC	NIL	2.50	2.50
12		PC/PCFC/FBP	NIL	(20.50)	(20.50)
TOTAL			77.39	7.50	84.89

Total Rupees Eighty Four crores and Eighty Nine Lakhs only.



COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)

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