



RATING RATIONALE

4 Jan 2020

Morarjee Textiles Limited

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Rs. 405.03 Crs. of Morarjee Textiles Limited (MTL or the 'Company').

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous(21st Feb, 2019)	Present
Fund Based	406.00	354.03	Long Term	BWR BBB (Stable)	BWR D (Downgraded)
Fund Based	27.00	27.00	Short Term	BWR A3	BWR D (Downgraded)
Non Fund Based	24.00	24.00	Short Term	BWR A3	BWR D (Downgraded)
Total	457.00	405.03	Rs. Four Hundred Five Crores & Three Lakhs Only		

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

** Details of Bank Loan facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

Rating: Downgraded

RATING ACTION

BWR has downgraded the long term & short term rating of Morarjee Textiles Limited (MTL or the Company) to BWR D as per the default disclosure submitted by the Company to the Bombay Stock Exchange on 1st January 2020. As per the disclosure, the Company has defaulted in repayment of term loan sanctioned by Allahabad Bank & The Federal Bank (BWR has not rated the facilities sanctioned by The Federal Bank). The current default principal amount stands at Rs. 8.43 Crores & Rs. 4.50 Crores of Allahabad Bank & The Federal Bank respectively.

The rating downgrade has also factored in the deteriorating financial performance of the Company marked by reduction in net worth due to continued losses, deteriorating debt coverage indicators and stretched liquidity position of the company in FY19 & 1HFY20.

KEY RATING DRIVERS

- **Credit Strengths:**
- **Strong Promoters and experience management:** Morarjee Textiles Ltd, belongs to the Ashok Piramal group, a diversified and leading business group in India, having an interest in real estate, textiles & engineering.. The group has a long established position in textile industry. MTL is a public listed company, with promoters and promoter group companies holding 59.17% of the shares. Ms. Urvi Piramal is Chairman, Mr. Harshvardhan A. Piramal Executive Vice Chairman, Mahesh Gupta Non Executive Director and Mr. R. K. Rewari Managing Director of the Company. There are 4 Independent Directors in the Board. The Company has the benefit of professionals in different areas like manufacturing, marketing and finance.
- **Established position in niche premium products:** MTL is one of the largest suppliers of Guthra (Arab headgear). MTL is a leading player in the premium and high-end shirting fabric business. Some of MTL's global clients/brands include Marco Polo, Daniel Hechter, Robert Talbott, Zara, Prada, Emporio Armani, Hugo Boss, Paul Smith, Givenchy, United Colors of Benetton, etc. Its customer base is spread across 20 countries around the globe. MTL also offers premium cotton shirting fabrics to domestic brands such as "Louis Philippe", "Van Heusen" and "Zodiac".
- **Integrated Plant:** The Company undertook backward integration project to integrate the manufacturing processes and to reduce dependence on vendors of yarn and woven fabric. The expansion of the Project was intended to replace the outsourcing of raw materials (yarn) and enable the Company to achieve higher levels of integration of Spinning, Weaving and Printing activities and thereby improve the margins. As on 31st March 2018, the installed capacity of the plant for spinning, weaving, printing & processing stood at 3966 MT, 256MT & 326 MT.
- **Credit Risks:**
- **Default in debt repayment:** Due to deteriorating financial position of the Company, MTL defaulted in its debt repayment obligation in the month of October 2019 & November 2019 which was disclosed to the BSE on 01/01/2020.
- **Deteriorating financial performance of the Company:** The Company has reported Rs. 348.61 crore of total operating income (TOI) for FY 2019 as against Rs. 360.96 crore in the previous year, thereby reporting a decline of 3.42% in TOI in FY 2019 as compared to FY 2018. The Company's tangible net worth has been reduced to Rs.81.69 Crores in FY19 as compared to Rs. 105.90 Crores in FY18. D/E ratio has deteriorated to 4.92 times as on 31.03.2018 to 5.55 times as on 31.03.2019 mainly account of net losses incurred by the company. Interest Coverage ratio has fallen to 0.76x in FY19 as compared to 1.34x in FY18 due to reduced EBITDA margins in FY19. As a result of reduced profitability in FY19, DSCR has fallen to 0.56x from 0.64x in FY18.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has assessed the standalone financials of Morarjee Textiles Ltd (MTL) and has applied its rating methodology as detailed in the Rating Criteria detailed below

(hyperlinks provided at the end of this rationale).

LIQUIDITY INDICATORS

The liquidity position of the Company is poor with current ratio of 0.80x in FY19. Cash and cash equivalents of Rs. 5.69 Cr as on 31st March 2019. There are term loan debt repayment obligations in the near future and the Company is not generating sufficient cash flows to support the debt repayment.

COMPANY'S PROFILE

Morarjee Textiles Ltd., belongs to the Ashok Piramal group, a diversified & leading business group in India, having interests in real estate, textiles & engineering. MTL was incorporated on July 14, 1995 as Morarjee Brembana Pvt Ltd. It got converted into a public limited company in 1996. In 2005, its name was changed to Morarjee Textiles Ltd. Initially, textiles business was undertaken by Morarjee Goculdas Spinning & Weaving Co. Ltd. which was established in 1871, and later it was spun off and became part of Morarjee Brembana Pvt Ltd. The company has integrated manufacturing plant in Nagpur. MTL's fabric segment has two divisions—the shirting division and the printed fabric division (for voile, satin, poplin and other high-end products).

The Company has completed backward integration project to integrate the manufacturing processes & to reduce dependence on vendors of yarn & woven fabric. The expansion Project is intended to replace outsourcing of raw materials (yarn) & enable the Company to achieve higher levels of integration of Spinning, Weaving & Printing activities & thereby improve margins.

KEY FINANCIAL INDICATORS

As per the audited financials of FY19, MTL has achieved TOI of Rs. 348.61 Cr as against Rs. 360.96 Cr in FY18. MTL's EBITDA for FY19 stood at Rs. 41.12 Cr as against Rs. 68.67 Cr in FY18 and MTL incurred net loss of Rs.24.55 Cr in FY19 as against net profit of Rs. 0.46 Cr in FY18. As per the 1HFY20 financials, MTL achieved TOI of Rs. 184.72 Cr in 1HFY20 vis-a-vis Rs. 157.38 Cr in 1HFY19. EBITDA was at Rs. 27.43 Cr vis-a-vis Rs. 15.73 Cr & net loss was at Rs. 9.03 Cr vis-a-vis net loss of Rs. 15.07 Cr in 1HFY19.

Key Financial Indicators	Units	FY19	2018
Result Type		Audited	Audited
Total Operating Income	₹ Cr	348.61	360.91
EBITDA	₹ Cr	41.12	68.67
PAT	₹ Cr	(24.55)	0.46
Tangible Net worth	₹ Cr	81.69	105.90
Total Debt/Tangible Net worth	Times	5.55	4.92
Current Ratio	Times	0.80	0.98

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA
RATING HISTORY FOR THE PREVIOUS THREE YEARS:

S.No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	21st February 2019	23rd January 2018	2017
	Fund Based						
1.	Term Loan	Long Term	267.03	BWR D (Downgraded)	BWR BBB Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable
2.	Cash Credit	Long Term	87.00	BWR D (Downgraded)	BWR BBB Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable
3.	PCFC	Short Term	27.00	BWR D (Downgraded)	BWR A3	BWR BBB+ (Pronounced as BWR Triple B Plus)	BWR BBB+ (Pronounced as BWR Triple B Plus)
	Non Fund Based						
4.	Letter of Credit /Bank Guarantee	Short Term	24.00	BWR D (Downgraded)	BWR A3	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)
	Total		405.03	₹ Four Hundred Five Crores & Three 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](#)
- [Manufacturing Companies](#)

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Morarjee Textiles Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	Allahabad Bank	Term Loan	104.22	-	104.22
		Cash Credit	32.00	-	32.00
		Letter of Credit	-	20.00	20.00
2.	Axis Bank	Term Loan	134.87	-	134.87
3.	Tata Capital	Term Loan	27.94	-	27.94
4	Saraswat Bank	Cash Credit	19.00	-	19.00
		Letter of Credit	-	(5.00)	(5.00)
		Bank Guarantee	-	(1.00)	(1.00)
5.	IDBI Bank	Cash Credit	8.00	-	8.00
		Letter of Credit	-	4.00	4.00
6.	Kotak Mahindra Bank	PCFC	-	27.00	27.00
		Cash Credit	3.00	-	3.00
		Letter of Credit	-	(27.00)	(27.00)
7.	ICICI Bank	Cash Credit	25.00	-	25.00
		PCFC	-	(25.00)	(25.00)
Total Four Hundred Five Crores & Three Lakhs Only					405.03



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