



Rating Rationale

Murugan Textiles

24 July 2018

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs.5.00 crs of Murugan Textiles

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous March 2017	Present
<u>Fund Based</u> Cash Credit	7.00	5.00	Long Term	BWR B (Pronounced as BWR B) Outlook: Stable	BWR B (Pronounced as BWR B) Outlook: Stable Reaffirmed
Total	7.00	Rs.5.00 Crores (Rupees Five Crores Only)			

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

Rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projected financials up to FY19 and publicly available information and information/clarifications provided by the concern.

As per State Bank of India's sanction, the amount sanctioned to the captioned concern is mentioned as Rs.2.00 crs with the condition i.e., the existing limit of Rs.7.00 cr. has to be brought down to Rs.5.00 cr before release of the collateral(Mv-1.84 cr) and that the reduced limit has further to be brought down to Rs.2.00 cr before release of the second collateral.(MV-Rs.6.86 cr).

The ratings reaffirmation is taken strength from the experience of the proprietor, and established clientele. The rating, however, remains constrained by the weak financial profile characterized by thin profit margins, modest networth, high working capital intensity and stretched debt metrics, concern's small scale of operations and the intense competition prevalent in the industry



which restricts its pricing flexibility to a large extent. Going ahead, the concern's ability to sustain the revenue, while improving its profit margins and efficiently manage its working capital cycle are the key rating sensitives.

Analytical Approach

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

Rating Outlook: Stable

BWR believes that 'Murugan Textiles's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Murugan Textiles is a sole proprietorship concern, commenced its operations during the year 1986 by Mr. V. Velusamy. The concern is engaged in the production of grey cotton fabric with an installed capacity of 19 looms located in Avinashi, Tamil Nadu. The concern outsources majority of its production to around 750 looms located in the vicinity of the region, by virtue of which it has an overall production capacity of around 26 million meter per annum.

The concern procures cotton yarn in the low to medium counts range (30's to 60's), weaves it into grey fabric and markets it to garment manufacturers located in various cities including Mumbai and Ahmedabad.

Key Rating Drivers:

- The concern is in existence for more than four decades with established track record in the business which implies the concern's ability to sustain with external factors.
- The decades-long experience of the proprietor and healthy relationships with customers and continued support of suppliers.
- Revenue continues to be meager at Rs.26.22 crore in FY 2017 (Rs 29.02 crore in FY 2016).
- The concern's net worth was at Rs.4.23 crs and the gearing of the concern recorded as 1.74 times in FY17 due to high utilisation of working capital limits.
- Net profit margin is 0.03 times for FY17.
- Intense competition due to existence of many players and volatility attached to raw material cotton prices on account of seasonality of crop.



Concern's Financial Performance

As confirmed by the concern, they have achieved operating revenue of Rs.31.33crs. (April '17 to Mar'18).

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	26.22	29.02
EBITDA	₹ Cr	1.06	1.14
PAT	₹ Cr	0.01	0.30
Tangible Net worth	₹ Cr	4.23	4.13
Total Debt/Tangible Net worth	Times	1.74	1.80
Current Ratio	Times	1.41	1.46

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs.Crs)	Rating	15/03/2017	2016	2015
1	Cash Credit	Long Term	5.00	BWR B (Pronounced as BWR B) (Outlook: Stable) Reaffirmed	BWR B (Pronounced as BWR B) (Outlook: Stable) Assigned		NIL
	Total		5.00	INR Five Crores only			



Status of non-cooperation with previous CRA (if applicable) –Not Applicable
 Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.



DISCLAIMER

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