

Press Release

Motherland Garments Private Limited

May 25, 2018

Rating Reaffirmed



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 8.00 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.8.00 crore bank facilities of Motherland Garments Private Limited (MGPL). The outlook is '**Stable**'.

Motherland Garments Private Limited (MGPL), a Bangalore-based company was established in 2005. The company is promoted by Mr. A J Pandian, Mr. G Ramesh Kanna, Mr. S A Selvamani and Dr. V. Sriram (Directors). The company is engaged in the processing/finishing of garments. The company has four facilities, two at Bangalore and two at Chennai. The company has current processing capacity of 60,000 units of garments per day.

Key Rating Drivers

Strengths

Experienced management:

MGPL was established in 2005. The promoters have more than two decades of experience in processing/finishing of garments and in textile industry through their association with other organizations. Before promoting MGPL, the promoters were engaged in partnership business of garments processing. This has helped the company in building healthy relationships with customers and suppliers.

Reputed clients:

The company has reputed clientele which includes Aditya Birla Group (Pantaloon), Arvind Lifestyles Brands Limited, Shahi Exports Private Limited and Samrat Gems Impex Private Limited among others.

Weaknesses

Small scale of operations:

MGPL has small scale of operations marked by operating income of Rs.11.32 crore for FY2017 against operating income of Rs.10.43 crore for FY2016 and Rs.8.77 crore for FY2015. Further, the company has achieved revenue of Rs.11.65 crore in FY2018 (provisional).

Average financial risk profile:

MGPL has average financial risk profile marked by modest net worth of Rs.3.46 crore as on 31 March, 2017. The gearing (debt-to-equity) stood at 1.03 times as on 31 March, 2017 as against 1.25 times as on 31 March, 2016. Interest Coverage Ratio (ICR) stood at 4.79 times for FY2017 as against 3.24 times for FY2016. Debt Service Coverage Ratio (DSCR) is low at 4.23 times for FY2017.

Working capital intensive operations

MGPL's operations are working capital intensive marked by stretched debtor days of 147 in FY2018 (Provisional) which has increased from 125 days in FY2017 and 128 days in FY2016. In FY2017, the company has relied on creditors to fund its working capital as envisaged from high creditor days of 230.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of MGPL for arriving at the rating.

Outlook: Stable

SMERA believes that MGPL will maintain a 'Stable' outlook over the medium term from the extensive experience of the promoters and its established presence in the business. The outlook may be revised to 'Positive' in case of significant improvement in revenues and profitability. Conversely, the outlook may be revised to 'Negative' if MGPL faces any decline in profitability or further stretch in the working capital cycle leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 11.32 | 10.43 | 8.77 |
| EBITDA | Rs. Cr. | 1.75 | 1.71 | 1.12 |
| PAT | Rs. Cr. | 0.27 | 0.46 | 0.34 |
| EBITDA Margin | (%) | 15.42 | 16.35 | 12.71 |
| PAT Margin | (%) | 2.42 | 4.45 | 3.86 |
| ROCE | (%) | 15.96 | 22.69 | 19.03 |
| Total Debt/Tangible Net Worth | Times | 1.25 | 1.60 | 1.26 |
| PBDIT/Interest | Times | 3.24 | 3.24 | 3.68 |
| Total Debt/PBDIT | Times | 2.08 | 2.24 | 2.02 |
| Gross Current Assets (Days) | Days | 142 | 133 | 108 |

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------|---------------------------------|-----------|--------------------|----------------------------------|
| 12-Feb-2018 | Cash Credit | Long Term | 2.50 | SMERA B+ Issuer not cooperating* |
| | Term Loan | Long Term | 4.20 | SMERA B+ Issuer not cooperating* |
| | Proposed Long Term Loan | Long Term | 1.30 | SMERA B+ Issuer not cooperating* |
| 23-Nov-2016 | Term Loan | Long Term | 4.20 | SMERA B+ / Stable (Assigned) |
| | Cash Credit | Long Term | 2.50 | SMERA B+ / Stable (Assigned) |
| | Proposed Working Capital | Long Term | 1.30 | SMERA B+ / Stable (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.50 | SMERA B+ / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.10 | SMERA B+ / Stable (Reaffirmed) |
| Proposed Facility | Not Applicable | Not Applicable | Not Applicable | 4.40 | SMERA B+ / Stable (Reaffirmed) |

Contacts:

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ABOUT SMERA

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