

Press Release

Madhusudan Prints Private Limited

03 July, 2017

Rating Assigned



Total Instruments Rated*	Rs.8.00 Cr
Long Term Rating	SMERA B/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (read as **SMERA B**) on the Rs. 8.00 crore bank facilities of Madhusudan Prints Private Limited. The outlook is 'Stable'

Madhusudan Prints Private Limited (MPPL), incorporated in 1994, is a Surat-based company promoted by Mr. Bharatbhushan Nandwani and Mr. Manoharlal Nandwani. The company manufactures knitted fabric (mainly used in socks and hosiery industries) at Surat and has an installed capacity of 275 tons per year. The company caters to Naman Creation, National Fashion, Preet Fashion among other clients located in and around Surat.

Key Rating Drivers

Strengths

- **Established operational track record**

MPPL was engaged in the trading of knitted fabric at Surat. From 2015, the company began manufacturing of knitted fabric. The promoter, Mr. Bharatbhushan Nandwani possesses more than two decades of experience in the knitted fabric segment.

Weaknesses

- **Small scale of operations**

The scale of operations is small marked by operating income of Rs. 6.40 crore for FY 2015-16 as against Rs. 8.03 crore in the previous year. Further, as informed by the management, MPPL reported operating income of Rs. 8.31 crore (Provisional) for FY 2017.

- **Low networth**

The tangible networth stood at Rs. 3.77 crore on 31 March, 2016 as against Rs.2.31 crore in the previous year.

- **Working capital intensive operations**

MPPL's operations are working capital intensive marked by high Gross current assets (GCA) of around 185 days for FY2016 compared to 153 days in the previous year. The high GCA days is due to high debtor days of 72 for FY2016. The average cash credit limit utilisation during the last six months ended 30th April 2017 stood at 80 percent.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MPPL to arrive at the rating.

Outlook: Stable

SMERA believes that MPPL will maintain a Stable outlook over the medium term on the back of its established operational track record in the knitted fabric manufacturing industry and experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while maintaining adequate profitability and effectively managing its working capital cycle. Conversely the outlook may be revised to 'Negative' in case of deterioration in its liquidity or financial risk profile on account of higher than expected working capital requirement.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net loss of Rs. 0.05 crore on operating income of Rs. 6.40 crore compared with profit after tax (PAT) of Rs. 0.08 crore on operating income of Rs. 8.03 crore in FY2014- 15. The tangible net-worth stood at Rs. 3.77 crore as on 31 March, 2016 as against Rs.2.31 crore in the previous year.

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

None

Any other information

None

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)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.70	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.55	SMERA B / Stable

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ABOUT SMERA

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