

Press Release

Murlidhar Tex Print Private Limited

29 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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 plus**) on the Rs. 10.00 crore bank facilities of Murlidhar Tex Print Private Limited. The outlook is '**Stable**'.

Murlidhar Tex Print Private Limited (MTPPL), is a Surat-based company promoted by Mr. Aditya Chaudhary and Mr. Kailashchandra Chaudhary. Incorporated in 2007, the company is engaged in the printing and dyeing of fabrics from 2017. It has dyeing capacity of ~70,000 meters and printing capacity of ~50,000 meters of fabric per day. MTPPL was engaged in printing and dyeing of polyester fabrics initially. However, from January, 2017 it started printing and dyeing of cotton fabric also.

Key rating drivers

Strengths

Experienced management: The promoters, Mr. Aditya Chaudhary and Mr. Kailashchandra Chaudhary have over two decades of experience in fabric printing. The extensive experience of the promoters has helped build healthy relations with suppliers and customers.

Location advantage: MTPPL is located at Surat, Gujarat which enables easy availability of raw material and proximity to a large customer base as Surat is one of the largest textile hubs.

Average financial risk profile: The financial risk profile is average marked by low networth, moderate gearing and coverage indicators. The networth stood at Rs. 8.00 crore as on 31 March, 2017 as against Rs.7.85 crore as on 31 March, 2016. The networth includes unsecured loans of Rs. 4.59 as the same is subordinated to bank debt. The gearing (Debt-to-equity) stood at 0.83 times as on 31 March, 2017 as against 0.95 times as on 31 March, 2016. Further, the coverage indicators stood moderate with ICR (Interest Coverage Ratio) of 2.94 times and NCA/TD of 0.17 times for FY2017 as against ICR of 2.52 times and NCA/TD of 0.20 times for FY2016.

Weaknesses

Modest scale of operations: MTPPL has modest scale of operations marked by operating income of Rs.20.75 crore for FY2017 as against Rs.22.46 crore for FY2016 and Rs.18.06 crore for FY2015. Further, it has generated revenue of Rs. 21.38 crore from April, 2017 – December, 2017.

Low profitability: MTPPL has low profitability marked by operating margin of 7.63 percent and PAT (profit after tax) of 0.45 percent for FY2017 as against operating margin of 7.05 percent and PAT margin of 2.33 percent for FY2016. Further, the profitability remains susceptible to volatility in raw material prices.

Highly competitive industry: The company operates in a highly competitive market with several organised and unorganised players engaged in dyeing and printing of grey fabrics.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Murlidhar Tex Print Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that MTPPL will maintain a Stable outlook and continue to benefit over the medium term from the promoters' extensive experience in the business. The outlook may be revised to 'Positive', if the revenue increases while sustaining improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins. The outlook may also be affected by a major deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.75	22.46	18.06
EBITDA	Rs. Cr.	1.58	1.58	1.54
PAT	Rs. Cr.	0.09	0.52	(0.18)
EBITDA Margin	(%)	7.63	7.05	8.55
PAT Margin	(%)	0.45	2.33	(1.02)
ROCE	(%)	5.04	4.78	3.56
Total Debt/Tangible Net Worth	Times	0.83	0.95	1.08
PBDIT/Interest	Times	2.94	2.52	2.31
Total Debt/PBDIT	Times	3.74	4.29	5.26
Gross Current Assets (Days)	Days	172	120	155

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>

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.90	SMERA B+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B+/ Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	3.60	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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