Press Release

MURLIDHAR TEX PRINTS PRIVATE LIMITED

May 02, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/Stable)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB-**' **(read as ACUITE BB minus)** from **'ACUITE B+' (read as ACUITE B plus)** on the Rs.10.00 crore bank facilities of MURLIDHAR TEX PRINTS PRIVATE LIMITED. The outlook is **'Stable'.**

The rating upgrade takes into account the growth in revenues, improvement in the profitability margins and improving coverage indicators. However, rating is constrained due to modest scale of operations and below average financial risk profile.

Murlidhar Text Prints Private Limited (MTPPL) is a Surat based company incorporated in 2007 promoted by Mr. Kailashchandra Chaudhry and Mr. Abhishek Kailashchandra Chaudhry. The Company is engaged in printing and dyeing of fabrics; it has capacity of dyeing ~70,000 meter fabric per day and printing capacity of ~65,000 meters fabric per day on job work basis. Erstwhile MTPPL was engaged in printing and dyeing of polyester fabric; but from January 2017, Company has started printing and dyeing of cotton fabric.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Murlidhar Tex Print Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

  MTPPL is in the said line of business since 2007. The company is promoted by, Mr. Kailashchandra Chaudhary and his family who possess about more than four decades of experience in cotton industry. Extensive experience of promoters has helped in building healthy relationship with suppliers and customers. The same has reflected in improvement in revenues in the form of job work charges to Rs. 35.45 crores in FY2019 (Provisional) from Rs.21.07 crore for FY2017. Acuité believes that location of the unit at Surat, which is hub for textile manufacturing and processing, capacity utilisation levels at about 89 per cent is expected to support in improvement of its business risk profile over the medium term.

- **Moderate working capital cycle**

  Working capital cycle of the company is moderate marked by moderate gross current assets which improved to 98 days in FY2019 (Provisional) as against 141 days in FY2018; further, it is an improvement from 172 days in FY2017. The inventory days is comfortable and stood at 13 days in FY2019 (Provisional) as against 15 days in FY2018 and 45 days in FY2017. Debtors stood around three months for the last three years through FY2019, though partly supported by creditors which stood at 250 days in FY2018; this leads to 85-90 percent utilization of working capital limits for the last twelve months through March 2019. Acuité believes that the working capital cycle of the company is expected to be at similar levels over the medium term.

Weaknesses

- **Below average financial risk profile**

The company has a below average financial risk profile which is marked by high gearing (debt to equity ratio) and total outside liabilities to total net worth (TOL/TNW) due to modest networth. However, the same is mitigated to some extent due to moderate debt protection metrics. Gearing is high at 2.51 times as on 31 March, 2019 (Provisional) as against 3.25 times as on 31 March, 2018. TOL/TNW is high at 4.28 times as on 31 March, 2019 (Provisional) as against 5.10 times as on 31 March, 2018. Net worth is modest at Rs. 4.90 crore as on 31 March, 2019 (Provisional) as against Rs. 3.94 crore as on 31 March, 2018. Of the total debt as on 31 March, 2019(Provisional), long term debt constitutes Rs.1.03 crore, unsecured loans constitutes Rs. 5.70 crores and short term debt constitutes Rs.4.86 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 3.02 times and 0.18 times respectively in FY2019(Provisional). However, Acuité believes that, with moderate accruals and in the absence of major debt funded capital expenditure, the financial risk profile is expected to improve over the medium term.

- **Highly Competitive and fragmented Industry**

The company operates in a highly competitive market with several organized and unorganized players engaged in dyeing and printing of grey fabrics.

Liquidity:

Liquidity of the company is comfortable marked by moderate cash accruals against repayment obligations. It has reported cash accruals of Rs.1.76 crore in FY2018. NCA expected be in the range of Rs. 2.20 crores – 4.00 crores against the minimal repayment obligations of Rs. 0.25 crores- Rs. 0.70 crores over the medium term. The company has a moderate working capital cycle marked by moderate GCA days of 98 days in FY2019 (Provisional) and comfortable inventory days of 13 days and is expecting to maintain the same over the medium term. Acuité believes that the liquidity profile continues to be moderate marked by modest accruals vis-à-vis its repayment obligations.

Outlook: Stable

Acuité believes that MTPPL will maintain 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the company registers higher than expected growth in revenues while maintaining stable profitability and improving its capital structure. Conversely, the outlook may be revised to negative in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY2019 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	35.42	31.34	21.07
EBITDA	Rs. Cr.	3.41	2.75	1.97
PAT	Rs. Cr.	0.96	0.53	0.09
EBITDA Margin	(%)	9.63	8.77	9.33
PAT Margin	(%)	2.70	1.70	0.43
ROCE	(%)	13.41	10.26	7.11
Total Debt/Tangible Net Worth	Times	2.51	3.25	3.30
PBDIT/Interest	Times	3.02	2.50	2.27
Total Debt/PBDIT	Times	3.45	4.46	5.36
Gross Current Assets (Days)	Days	98	141	172

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Jan-2018	Cash Credit	Long Term	INR 3.90	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 2.50	ACUITE B+ / Stable (Assigned)
	Proposed Long Term Loan	Long Term	INR 3.60	ACUITE B+ / Stable (Assigned)

*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 loans	Not Applicable	Not Applicable	Not Applicable	3.49	ACUITE BB- / Stable (Upgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.51	ACUITE BB- / Stable (Upgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE BB- / Stable (Withdrawn)

Contacts

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