

Press Release

Mangal Cotton Mills Private Limited (MCPL)

April 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	SMERA B /Stable (Assigned)

*Refer annexure for details

Rating Rational

SMERA has assigned the long term rating of '**SMERA B** (read as **SMERA B**) on the Rs. 27.00 crore bank facilities of Mangal Cotton Mills Private Limited. The outlook is '**Stable**'.

The Gujarat based company incorporated in 1979, Mangal Cotton Mills Private Limited (MCPL), erstwhile known as Rachana Fabrics Private Limited. The company has been engaged in providing machineries on rental basis used for laser multi drive computerized embroidery until February 2018. Further, from February 2018, the company has commenced its operations as job work of embroidery on grey cloth. The company is promoted by Mr. Motilal Sekhani, Mr. Rinish Sekhani and Mr. Gunjan Sekhani.

Key rating drivers

Strengths

Experienced Management:

MCPL, erstwhile known as Rachana Fabrics Private Limited, was incorporated in 1979 by Mr. Gunjan Sekhani and Mr. Motilal Sekhani and Mr. Rinish Sekhani who possesses over three decades of experience in the textile industry. This has helped MCPL to maintain long relations with its customers and suppliers.

SMERA believes that MCPL will benefit from its established position in the textile industry and experienced management.

Change in Line of Business

MCPL incorporated in 1979, since then the company has been engaged in providing machineries on rental basis used for laser multi drive computerized embroidery until February 2018. Further, from February 2018, the company has commenced its operations as job work of embroidery on grey cloth.

SMERA believes owing to experience management and its group's existence in textile industry will help MCPL generate business in long term.

Weaknesses

Susceptibility of margins to volatility in raw materials

The major raw material is grey fabrics. Hence, the operating margins are susceptible to fluctuations in raw material prices. The raw materials are sourced 100% locally. Therefore, adverse movements in raw material prices can impact profitability.

Highly competitive industry

Competitive and fragmented nature of cloth embroidery business. Textile is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry. MCPL is basically into the embroidery business of grey cloth and thus faces competition from players in organized segment that are also into the similar business.

Analytical approach:

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

Outlook – Stable

SMERA believes that MCPL will maintain a 'Stable' business risk profile over the medium term based on its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in the scale of operations while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst intensifying competition, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	2.48	2.78	2.68
EBITDA	Rs. Cr.	1.28	1.38	1.19
PAT	Rs. Cr.	0.54	0.42	0.14
EBITDA Margin	(%)	51.45	49.80	44.55
PAT Margin	(%)	21.74	15.24	5.10
ROCE	(%)	9.74	8.05	9.91
Total Debt/Tangible Net Worth	Times	0.27	0.23	0.16
PBDIT/Interest	Times	7.81	9.76	6.51
Total Debt/PBDIT	Times	1.49	1.31	1.01
Gross Current Assets (Days)	Days	655	385	164

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)**

None

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.72	SMERA B/ Stable (Assigned)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	25.28	SMERA B/ Stable (Assigned)

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ABOUT SMERA

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