

Press Release

Maharshi Textile LLP

25 April, 2018

Rating Assigned



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 9.00 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.9.00 crore bank facilities of Maharshi Textile LLP. The outlook is '**Stable**'.

The Gujarat based, Maharshi Textiles LLP (MTLP) established in 2016 is engaged in the manufacturing of woven fabric on order basis. The firm is led by Mr. Ravikumar Durlabhjibhai Dethariya, Mr. Kaplesh Bhanjibhai Patel and six other partners. The commercial operations started in August, 2017.

Key Rating Drivers

Strengths

• Experienced partners

Mr. Durlabhjibhai Dethariya has experience of more than a decade in the manufacturing of polypropylene woven fabrics. The other partners possess experience of more than nine years in the industry.

Weaknesses

• Initial stage of operations

The operations commenced from August 2017. Since the operations are at a nascent stage, the firm will have to demonstrate optimal capacity utilisation so as to generate cash flows corresponding to its debt obligation.

• Significant debt obligation

The gearing stood at 2.83 times as the total project cost of Rs.11.50 crore was funded through partners' capital of Rs.3.00 crore, unsecured loan from related parties/partners of Rs.1.50 crore and bank loan of Rs.7.00 crore. The debt repayment is expected to commence from August, 2018. Hence, the event of suboptimal capacity utilisation or significant build-up in its receivables can adversely impact the debt servicing capability.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook of the MTLP will remain stable over the medium term on account of the experience of the management. The outlook may be revised to 'Positive' if the firm is able to demonstrate higher than expected growth in revenue along with higher margins. On the contrary, the outlook may be revised to 'Negative' in case of suboptimal utilisation of capacity with lower margins, impacting the credit profile of the firm.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 0.02 | 0.00 | 0.00 |
| EBITDA | Rs. Cr. | 0.01 | 0.00 | 0.00 |
| PAT | Rs. Cr. | 0.01 | 0.00 | 0.00 |
| EBITDA Margin | (%) | 31.88 | 0.00 | 0.00 |
| PAT Margin | (%) | 30.55 | 0.00 | 0.00 |
| ROCE | (%) | 0.42 | 0.00 | 0.00 |
| Total Debt/Tangible Net Worth | Times | 0.03 | 0.00 | 0.00 |
| PBDIT/Interest | Times | 23.89 | 0.00 | 0.00 |
| Total Debt/PBDIT | Times | 14.94 | 0.00 | 0.00 |
| Gross Current Assets (Days) | Days | 5738 | 0 | 0 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 7.00 | SMERA B / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | SMERA B / Stable |

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