

Press Release

MAFATLAL INDUSTRIES LIMITED

June 21, 2024

Rating Assigned and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Ter
Bank Loan Ratings	32.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	140.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	95.00	-	ACUITE A2 Assigned
Bank Loan Ratings	56.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	323.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE BBB+' (read as ACUITE triple B plus) from 'ACUITE BBB' (read as ACUITE triple B) and the short-term rating to 'ACUITE A2' (read as ACUITE A two) from 'ACUITE A3+' (read as ACUITE A three plus) on the Rs. 196.00 crore bank facilities of Mafatlal Industries Limited. The outlook is 'Stable'. Also, assigning the long-term rating of 'ACUITE BBB+' (read as ACUITE triple B plus) and the short-term rating of 'ACUITE A2' (read as ACUITE A two) on the Rs. 127.00 crore bank facilities of Mafatlal Industries Limited. The outlook is 'Stable'.

Rationale for the rating upgrade

The rating upgrade is majorly on account of growth in the business risk profile of the company marked by improvement in operating income, profitability margins and financial risk profile. The operations of the company reported growth in operating income to Rs. 2080.51 crore in FY24 as against Rs. 1370.52 crore in FY23, reflecting a YoY growth of 51.80%. This growth is primarily on account of the successful execution of large institutional orders and government tenders in FY24 and improving operating performance on account of transition to asset light business model. The company has reported the operating profit of Rs. 47.67 crore in FY24 against Rs. 29.70 crore in FY23. The operating profit margin of the company stood at 2.29% in FY24 as against 2.17% in FY23. The PAT margin stood at 4.75% in FY24 against 2.73% in FY23. The rating considers the extensive experience of promoters, long track record of operations and healthy financial risk profile and adequate liquidity position of the company. The rating continues to draw comfort from MIL's comfortable capital structure and monetizable assets in the form of unencumbered shares of NOCIL Limited. The rating is however constrained by the working capital-intensive nature of operations of the company and exposure to intense competition in a fragmented industry.

About the Company

MIL incorporated in the year 1913, was founded by Mr. Mafatlal Gagalbhai and is currently led by Mr. Hrishikesh Arvind Mafatlal and his son Mr. Priyavrata H Mafatlal and is based out of Mumbai, Maharashtra. The company is one of the oldest textile manufacturers in India and is engaged in manufacturing and sale of fabric in various categories of cotton, polyester cotton, linen, voiles rubia, knits etc. The company has a presence of over 11 decades in textile manufacturing and is a part of Arvind Mafatlal Group. The company is widely recalled for its innovative manufacturing facilities since 1905. The company is currently headed by Mr.

Priyavrata Mafatlal, MD of the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Mafatlal Industries Limited (MIL) for arriving at the rating.

Key Rating Drivers

Strengths

Reputed business with a vintage track of operations

MIL is a 119 years old textile manufacturing player in India and part of Arvind Mafatlal Group founded by Mr. Mafatlal Gagalbhai. The current promoters of the company have an experience of greater than six decades in the business and are involved in the day to day operations as well strategic decision making of the company. Chairman of MIL Mr. Hrishikesh Mafatlal has an experience of more than 46 years and is on the board of Mafatlal Industries since 1979. Mafatlal is one of the oldest brands recalled for its presence in the textiles industry for readymade garments, school uniforms, corporate garments, home textiles, etc. MIL's business is spread across the country with a robust dealer and B2B network spanning across all zones with more than 400 dealers and 35,000 retailers. MIL is having an integrated manufacturing facility including spinning, weaving, yarn dyeing and processing. The product portfolio includes garments/ fabrics for men and women, upholstery items, uniforms for schools, corporate houses, personal hygiene among others. Company has already created brands under "Mafatlal Healthcare" brands like "Coocoo", "UNICHOICE", "MEDIMEF" and "Frolica" are flagship brands. Acuité believes that with a vast experience of the management along with distinguished and diversified product profiles and with an established brand name of "Mafatlal" the business risk profile is expected to remain comfortable and will support the operations over the medium term.

Improvement in scale of operations and profitability

The operations of the company reported growth in operating income to Rs. 2080.51 crore in FY24 as against Rs. 1370.52 crore in FY23, reflecting a YoY growth of 51.80% in FY24. This growth is primarily on account of the successful execution of large institutional orders and government tenders in FY24. The operating profit margin of the company stood at 2.29% in FY24 as against 2.17% in FY23. The PAT margin stood at 4.75% in FY24 against 2.73% in FY23.

Healthy Financial Risk Profile

The financial risk profile of the company remained healthy marked by high net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood high at Rs. 811.24 crore in FY24 as compared to Rs. 613.92 crore in FY23. The total debt of the company stood at Rs. 81.84 crore as on March 31, 2024 as against Rs. 93.93 crore as on March 31, 2023. The gearing of the company further improved to 0.10 times as on March 31, 2024 as compared to 0.15 times as on March 31, 2023. The TOL/TNW stood at 1.20 times in FY24 as compared to 0.90 times in FY23. The debt protection metrics improved with debt service coverage ratio of 3.97 times in FY24 against 2.23 times and 1.42 times in FY23 and FY22 respectively. Also, the interest coverage ratio improved to 7.13 times in FY24 against 4.14 times and 3.58 times in FY23 and FY22 respectively.

Weaknesses

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by high GCA days which have high at 184 days for FY24 compared against 129 days in FY23. The GCA days is majorly on account of receivable days of 112 days for FY24 compared against 76 days for FY23. The inventory levels of the company stood at 14 days in FY24 compared against 29 days in FY23. The creditor days of the company stood at 161 days in FY24 compared against 122 days in FY23.

Susceptibility to volatility in prices of key raw materials

Cotton, coal and polyester cotton prices have exhibited considerable volatility in the recent

past due to various reasons, such as government policies, effects of monsoon, demand supply scenario, etc. Profitability margins of textile manufacturers are exposed to adverse movement in cotton prices thus any unprecedented increase in the raw material going forward, may impact the profitability margins of MIL.

Rating Sensitivities

- Sustained improvement in its scale of operations and profitability.
- Elongation in working capital cycle affecting liquidity profile.

Liquidity Position

Strong

The liquidity position of the company remained strong on account of net cash accruals against matured debt obligations. The net cash accruals of the company stood at Rs. 113.75 crore against matured debt obligations of Rs. 17.19 crore in FY24 and in FY23 the net cash accruals of the company stood at Rs. 52.84 crore against matured debt obligations of Rs. 13.97 crore. Furthermore, the average fund-based utilisation by the company remains moderate at 42% for the eight months ended April 2024. The company maintains a cash balance of Rs. 267.60 crore as on 31st March 2024. Additionally, MIL holds 2.52 crore shares (15.16% stake) in NOCIL Ltd, which can be monetized if needed, providing a liquidity cushion despite being susceptible to market fluctuations.

Outlook: Stable

Acuité believes that outlook on the company will remain 'stable' over the medium term on account of continuous improvement in scale of operations and established track record of operations in the textile industry with experienced management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in the company's revenues and profitability while maintaining efficient working capital cycle and capital structure. Conversely, the outlook may be revised to 'Negative' in case of the weakening of its capital structure and debt protection metrics or elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2080.51	1370.52
PAT	Rs. Cr.	98.75	37.48
PAT Margin	(%)	4.75	2.73
Total Debt/Tangible Net Worth	Times	0.10	0.15
PBDIT/Interest	Times	7.13	4.14

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Apr 2023	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Term Loan	Long Term	3.72	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Term Loan	Long Term	11.84	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Proposed Long Term Bank Facility	Long Term	7.10	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Term Loan	Long Term	11.84	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Secured Overdraft	Long Term	22.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Secured Overdraft	Long Term	22.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Working Capital Demand Loan (WC DL)	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Positive)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	17.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
26 Sep 2022	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.50	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.28	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	5.41	ACUITE BBB- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	8.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	4.96	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	13.42	ACUITE BBB- Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.70	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	13.42	ACUITE BBB- Positive (Reaffirmed)
	Secured Overdraft	Long Term	22.00	ACUITE BBB- Positive (Reaffirmed)
		Long		
		Long		

	Secured Overdraft	Term	22.00	ACUITE BBB- Positive (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
17 Jun 2022	Cash Credit	Long Term	62.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.28	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	7.07	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	5.41	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	17.50	ACUITE BBB- Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	23.24	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	17.50	ACUITE BBB- Positive (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
31 Mar 2021	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	62.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	18.04	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.18	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.19	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	12.56	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.03	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2 Upgraded (from ACUITE A3+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	95.00	ACUITE A2 Assigned
Deutsche Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
SVC Co-Op Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A2 Upgraded (from ACUITE A3+)
Deutsche Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.70	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Janta Sahakari Bank Ltd.	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
SVC Co-	Not			Not avl.	Not avl.			ACUITE BBB+ Stable

Op Bank Limited	avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	/ Not appl.	/ Not appl.	Simple	38.56	Upgraded (from ACUITE BBB)
SVC Co-Op Bank Limited	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.44	ACUITE BBB+ Stable Assigned
CSB Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2025	Simple	6.90	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2026	Simple	11.84	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2026	Simple	5.56	ACUITE BBB+ Stable Assigned
Janta Sahakari Bank Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2031	Simple	20.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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