

JUNE 10, 2016

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES AND DEBT INSTRUMENTS OF MANDHANA INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	879.63	CARE BBB+ (Triple B Plus)	Revised from CARE A [Single A]
Non-Convertible Debentures	77.00		
Short-term Bank Facilities	87.50	CARE A3+ (A Three Plus)	Revised from CARE A1 [A One]
Total Facilities	1044.13 (Rupees One Thousand Forty Four Crore and Thirteen Lakhs only)		

Rating Rationale

The revision in the ratings assigned to the bank facilities and debt instruments of Mandhana Industries Limited (MIL) takes into account its stretched working capital cycle on account of elongation in its receivables position.

The ratings continue to derive strength from its experienced promoters, the company's partially-integrated operations, the gradual shift in its product mix towards high-margin garment business, its established marketing set-up an in-house product design and development team. The ratings also factor MIL's stable profitability metrics and moderate capital structure.

The rating strengths are, however, tempered by the company's elongated working capital cycle and the fragmented nature of the weaving and garmenting industry imparting low pricing power.

MIL's ability to manage its working capital cycle and maintain a comfortable capital structure are the key rating sensitivities.

Background

Mandhana Industries Ltd (MIL) is engaged primarily in manufacturing of textile fabric (grey and finished fabric). As on March 31, 2015, MIL had a yarn dyeing capacity of 4.3 mn kg per annum, weaving capacity of 36 mn mtrs of grey fabric per annum, fabric processing capacity of 72.60 mn mtrs per annum and garmenting capacity of 6.60 mn pieces per annum. Sale of fabric (Textile division) is the major revenue contributor and contributed around 87% of total revenues in FY16; the rest is contributed by sale of garments.

In May 2012, the company launched apparels and accessories under 'Being Human' brand under license arrangement with Salman Khan Foundation in Middle East Countries and in India in Oct 2012. MIL booked revenues of Rs.172 crore in FY15 from the brand. However, post approval of scheme of demerger by High Court on March 29, 2016, the company has demerged its retail business of brand 'Being Human' into an independent entity, named, Mandhana Retail Ventures Limited (MRVL), to be listed post demerger, from the appointed date April 01, 2014. The rationale for the demerger was that such divestment of the retail division from MIL to MRVL will enable more focused and concentrated efforts in developing the brand and business reputation. As consideration of the demerger every shareholder of MIL (held 72.65% by promoter as of March 31, 2016) holding 3 equity shares of Rs.10 each will receive two equity shares of Rs.10 each of MRVL.

During FY16, MIL reported operating revenue of Rs.1653.62 crore and a PAT of Rs.57.13 crore as against an operating revenue and PAT of Rs.1549.49 crore and Rs.62.72 crore respectively in FY15 (figures for FY15 and FY16 factor the impact of demerger of retail business of 'Being Human' into MRVL).

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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