

Mahalaxmi Fab

March 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	10.00 (Rs. Ten Core Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Mahalaxmi Fab to monitor the rating vide e-mail communications dated October 12, 2021, December 06, 2021, January 10, 2022, February 25, 2022, February 28, 2022 & March 02, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings.

In line with the extant SEBI guidelines, CARE has reviewed the rating based on the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Further, Mahalaxmi Fab has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Mahalaxmi Fab's bank facilities will be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings revised on account of non availability of latest financials. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of the last rating on March 31, 2021, following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations:

The total operating income (TOI) of the firm has been fluctuating in the range of Rs.68.95 crore to Rs.72.75 crore during FY18-FY20. The scale of operations of the firm as reflected by TOI declined by 2.72% and continues to remain modest at Rs.70.77 crore in FY20. The decline in TOI owing to loss of revenue for the period of March 2020 due to COVID-19 pandemic. Moreover, the operations of the firm was further impacted for the month April 2020 to June 2020 due to lockdown measures implemented by Government of India on account of Covid-19 pandemic. However, the company has booked revenue of Rs.47.39 crore for the period from July, 2020 to February 28, 2021. Further, the capital employed of the firm stood at Rs.25.07 crore as on March 31, 2020, thus limiting its financial flexibility at the time of stress.

Moderate and fluctuating profit margins with susceptibility to volatility of the raw material prices:

The profit margins of MF have shown a fluctuating trend during past three years i.e. FY18-FY20 with PBILDT margin in the range of 6.45%-7.06%. The same was improved by 34 bps in FY20 on account of better price garnered from the customers, which are linked to the competitive rates at which products are offered to its customers owing to competitive market scenario leading to better sales realization. PAT margin also moved in same tandem with PBILDT margin and stood in the range of 3.18%-3.87% and improved by 69 bps during FY20 on account of decline in interest and finance charges.

Presence in highly fragmented and competitive nature of textile industry:

The entity operates in the textile industry which is highly fragmented with presence of numerous independent small-scale enterprises owing to low entry barriers leading to high level of competition in the textile segment. Considering the highly fragmented nature of textile industry and limited bargaining power with the customers and suppliers; any adverse changes in the raw material may hamper the firm's profit margins.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

Proprietorship nature of its constitution:

Due to MF being a proprietorship entity, it has limited ability to raise capital as it has restricted access to external borrowings where personal network and credit worthiness of proprietor affects decision of prospective lenders. Further, it

is susceptible to risks of withdrawal at time of personal peril and poor succession decisions may raise the risk of dissolution of the entity.

Key Rating Strengths

Long track record of operations with highly experienced proprietor:

MF possesses long track record of 15 years of operations in manufacturing of grey fabric. Furthermore, overall operations of the entity are looked after by proprietor Mr. Sachin Zanwar having more than two decades of an experience in the industry.

Established relationship albeit concentrated customer base:

Over period of operations MF has established long-term relationships with customers from whom it receives repeated orders. The customer base which are, thereby mitigates the counterparty risk to an extent. However, the customer profile remained concentrated with the top 5 customers comprising 33.19% of the net sales in FY20 as against 29% of net sales in FY19.

Moderate capital structure and debt coverage indicators:

The capital structure of MF has improved and stood moderate with an overall gearing of 1.29x as on March 31, 2020 owing to accretion of profits to networth. Along with moderate profitability and moderate gearing levels, the debt coverage indicators continues to remain moderate with PBILDT interest coverage of 4.31x during the year.

Liquidity Analysis - Adequate

Stretched Liquidity remain stretched marked by lower accruals, high working capital utilization and modest cash balance stood at Rs.0.02 crore as on March 31,2020, thus limiting financial flexibility of the firm. GCA remained low at Rs.3.69 crore in FY20 though the same is sufficient to cover the repayment obligation of Rs.0.30 crore in FY21. The average working capital utilization of the firm stood at 95% for past 12 months ended February 28, 2021. Further, the operations of the firm is characterized by high gross current asset of 160 days with funds blocked mainly in debtors. the firm has availed moratorium for deferment of interest payments for cash credit account and also availed Guarantee Emergency Credit Line worth Rs.2 crore and COVID Assistance term loan worth Rs.1 crore the same will be repaid in 4 years .

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer CARE's](#)

[Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Manufacturing Companies](#)

About the Company

Mahalaxmi Fab (MF) was established in the year 2005 as proprietorship concern by Mr. Sachin Zanwar. MF is engaged in manufacturing of grey fabric used in suiting and shirting. The operations of the entity are diversified across Mumbai, Ahmedabad, Bangalore and Delhi., The entity has an installed capacity of 75 lakh meters p.a. which is fully utilized by the entity. The registered office and manufacturing unit is located at Ichalkaranji, Kolhapur

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-21	9MFY22
Total operating income	72.75	70.77	NA	NA
PBILDT	4.69	4.80	NA	NA
PAT	2.31	2.74	NA	NA
Overall gearing (times)	1.41	1.29	NA	NA
Interest coverage (times)	3.21	4.31	NA	NA

A: Audited, , NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LTCash Credit		-	-	-	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021/2022	Date(s) & Rating(s) assigned in 2020/2021	Date(s) & Rating(s) assigned in 2019/2020	Date(s) & Rating(s) assigned in 2018/2019
1	Fund-based - LTCash Credit	LT	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1) CARE BB; Stable (31-Mar21) 2) CARE BB; Stable (03-Apr20)	-	1) CARE BB; Stable (04-Mar19)

*Issuer did not cooperate; Based on best available information

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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