

Filatex India Limited

September 15, 2021

Update on Filatex India Limited

Filatex India Limited (FIL) vide its press release on stock exchanges dated September 05, 2021 announced that the Income Tax Authorities have conducted search operations under Section 132 of the Income Tax Act, 1962 at the Company's premises and promotor directors' residence. The search operations were concluded on September 04, 2021 and no assets of the company were seized pursuant to such operation. Further, as per the announcement, the search operations has not materially impacted the business operations / activities undertaken by the company.

Since the assets and operations of the company are not impacted, CARE has taken a note of the above event Further, CARE would monitor the developments with respect to this event and would review the ratings in case of any further material development in this regard.

The previous detailed press release of FIL is available on the following link: [Click here](#)

Detailed Rationale & Key Rating Drivers

The ratings for the bank facilities of FIL factors in the experienced promoters and their long track record of operations in the textile industry, diversified product mix with value added products particularly Draw textured yarn (DTY) and Fully drawn yarn (FDY), established customer base and distribution network. The rating also favorably factors in the company's location advantage enjoyed from its Dahej plant and moderate financial risk profile characterized by moderate overall gearing levels and debt coverage indicators. The rating also takes cognizance of the completion the company's 30 MW captive thermal power plant which is under trail stage and is expected to reduce the power expenses going forward.

These rating strengths are however constrained by susceptibility of profitability margins to adverse movement in raw material prices and foreign currency fluctuation risk. The rating also remains constrained by the low pricing power of the company due to fragmented and competitive nature of industry.

Rating Sensitivities:

Positive Factors: *Factors that could lead to positive rating action/upgrade*

- PBLIDT margin of the company above 13% on a sustained basis
- Overall gearing of the company remaining below 0.60x on a sustained basis

Negative Factors: *Factors that could lead to negative rating action/downgrade*

- PBLIDT Margin of the company below 10% on a sustained basis
- Any higher than envisaged debt funded capital expenditure adversely impacting capital structure with overall gearing of more than 1.00x.

Analytical approach: Standalone.

About the Company

Filatex India Limited, incorporated in August 1990, is engaged in manufacturing of Polyester & Polypropylene Multifilament Yarn. The company was promoted by the Bhageria family having an experience of over four decades into manufacturing and trading of synthetic filament yarn. The Chairman and Managing Director of the company, Mr Madhu Sudhan Bhageria has experience of over three decades in the industry. The company has manufacturing facilities at, Dadra (U. T. of Dadra & Nagar Haveli) and Dahej (Gujarat).

Note on complexity levels of the rated instrument: 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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