

Maruti Texprocess India Private Limited

December 20, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	83.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short Term Bank Facilities	5.00	CARE A4 (A Four)	Assigned
Total Bank Facilities	88.00 (₹ Eighty-Eight Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Maruti Texprocess India Private Limited (MTIPL) are constrained by nascent stage of operations, susceptibility of profitability due to volatility in raw material prices and its presence in highly competitive and fragmented industry. The ratings, however, derive strength from experienced promoters and group's established presence in textile industry, strategic location of its manufacturing unit and established marketing network.

Rating Sensitivities

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

- Stabilization of the project thereby resulting in generation of envisaged revenues as well as cash accruals backed by fulfilment of orders

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

- Any un-envisaged incremental borrowings, deteriorating its overall gearing over 2 times on a sustained basis
- Elongation of working capital cycle above 150 days on sustained basis

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of operations: The company is into nascent stage of operations as the production has begun from June, 2022 and hence FY23 is the first year of operations. The company has already booked revenue of ~Rs. 11 crore till November 24, 2022. With repayment commencing from Q4FY23, its ability to achieve envisaged capacity utilization levels and generate sufficient accruals shall be critical from credit perspective.

Susceptibility of profitability due to volatility in raw material prices: The profit margins are susceptible to the volatile prices of raw material viz. cotton yarn. However, the risk is comparatively high as any fluctuation in raw material price cannot be passed on to the customers at initial stage. Thus, going forward, during nascent stage of the operations of the manufacturing plant, the ability of the company to draw envisaged profitability and subsequently pass on the price fluctuations remains critical.

Presence in highly competitive and fragmented textile industry: The company operates in a highly competitive and fragmented market which consists of large and small and large sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and also led company to adopt liberal credit policy in the market.

Key Rating Strengths

Experienced promoters and established group presence in textile industry: The promoters are very well experienced in the various trading and manufacturing activities in the Textile Industry. MTIPL belongs to "Maruti" group, and the group has its presence in textile industry. The group already manages four firms. With MTIPL, the group is entering into forward integration. Maruti Spintex Private Limited (MSPL) is the flagship company of the group, engaged into manufacturing of combed compact yarn of various counts. Further, the other two entities namely Maruti Cotton & Ginning and Vinayak Cotton is into Cotton Ginning & pressing. The directors of the company handle the purchase, sales, marketing, production & quality function of the company. They are further assisted by team of experience professionals in day to day operations.

Established marketing network: The company gets benefited through established marketing network of its group company. The group has established relationship with customers and suppliers leveraging on the two-decade long experience of the

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

promoters. This enables the company to market its product at greater extent and thereby providing cushion to achieve the projected revenue and profitability. Also, the promoters have established relations across overseas market through their association with MSPL. The raw material required for manufacturing process are cotton yarn, dyes & chemicals. Cotton yarn is majorly procured from its group company, i.e. MSPL.

Strategic location of its manufacturing unit: The manufacturing facility of MTIPL is located at Botad district in the state of Gujarat, which is one of the largest cotton producing belts in India. Gujarat produces around 25-30% of total national production of cotton and hence raw material is available in adequate quantity. MTIPL majorly procures cotton yarn from its group company. Its presence in cotton producing region has a locational advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials.

Liquidity: Adequate

The liquidity position of the company remained adequate marked by sufficient cushion available to fund the ongoing operations. GCA is expected to be in the range of Rs. 4-5 crore as against the repayment obligations in the range of Rs.1.5-1.6 crore during FY23. Repayments of the term loan will begin from January, 2023. Further it has also, availed the working capital limits worth Rs.6.00 crore for working capital management which was disbursed in July 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

Maruti Texprocess India Private Limited (MTIPL) incorporated in January, 2021 to setup manufacturing of cotton dyed and printed fabric at Botad, Gujarat with installed capacity of 66,00,000 Kgs respectively per annum. The company belongs to the "Maruti Group" with majority of shares (45.57%) held by MSPL; flagship company of the group. The company commenced its operations in June 2022.

Brief Financials (Rs. crore)	31-03-2021(Audited)	31-03-2022 (Audited)	H1FY23
Total operating income	0.00	0.00	5.73
PBILDT	0.00	0.00	NA
PAT	0.00	0.00	NA
Overall gearing (times)	0.00	0.84	NA
Interest coverage (times)	0.00	0.00	NA

NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	Dec 2030	77.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	77.00	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	6.00	CARE BB; Stable				
3	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A4				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings 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 us:

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