Manidhar Textiles LLP

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	33.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	29.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at ratings of Manidhar Textile LLP (MTLLP), CARE Ratings Limited (CARE Ratings) has taken combined view of two sister concerns i.e. Manidhar Textile (MT) and MTLLP due to operational and managerial linkages. Together they are referred as Manidhar group (MG).

The ratings assigned to MG are constrained on account of moderate financial risk profile and debt coverage indicators, scalability risk of new project set up under MTLLP and MG's presence in highly competitive and fragmented industry. The ratings also factor moderate scale of operations, moderate profit margins which are exposed to volatility in raw material (RM) prices, partnership nature of constitution of MT and stretched liquidity.

The ratings, however, derive strength from experienced promotors with established track record of operations, low project execution risk marked by advanced stage of project completion and achievement of financial closure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up and improvement in capacity utilisation of plant set up in MTLLP leading to growth in Total Operating Income (TOI) of MG above Rs. 120 crores along with improvement in Profit before interest, lease rental, depreciation and taxes (PBILDT) margins above 10% on sustained basis.

Negative factors

- Additional debt funded Capital expenditure (CAPEX) or withdrawal of capital resulting into moderation in capital structure marked by overall gearing beyond 2.5x.
- Decline in scale of operations of MG below Rs. 50 crore along with moderation in PBILDT below 7% on sustained basis.

Analytical approach: Combined

For arriving at ratings, CARE Ratings has taken combined view of MT and MTLLP on account of:

- Common partners i.e. All partners of MTLLP have 90% share in profit/loss of MT.
- Both entities are engaged in weaving of grey fabrics.
- MT has extended loans and advances to MTLLP in FY25 (FY refers to period from April 01 to March 31) to the tune of ~Rs. 2-2.5 crore and need based support shall be provided by these firms to each other.

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that MG shall continue to benefit from its experience promotors and expected growth in scale of operations post increase in installed capacity after commencement of operations in MTLLP.

Detailed description of key rating drivers:

Key weakness

Project scalability risk on account of presence in highly competitive and fragmented industry

MG is undertaking a greenfield project under MTLLP for installation of 176 airjet shuttle less looms in a phased manner at Surat, having installed capacity of manufacturing 244.3 lakh meters per annum. The estimated project cost of Rs. 55.15 crore is to be funded in debt to equity and USL mix of 1.49:1. Phase I of Project has commenced operations with installation of 132 airjet looms from August 2024. In Phase II, balance 44 airjet looms shall be installed. Since, MG operates in a highly competitive and fragmented market with low entry barrier and presence of numerous large and small players, scaling up of operations and achievement of envisaged TOI and profitability along with effective management of incremental working capital requirement remains key monitorable from the credit perspective.

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

Moderate scale of operations and Profitability margins

MG's scale of operations have reported growth at Cumulative annual growth rate (CAGR) of 25% from Rs. 24.09 crores in FY20 to Rs. 59.74 crores in FY24 on back of improved demand. MT has clocked turnover of Rs. 30 crore till H1FY25 and MTLLP has clocked turnover of ~Rs. 8 crore till October 2024 post commence of operations of Phase I. Same is expected to improve going forward on back of improvement in utilisation of additional capacity installed in MTLLP.

MG has reported PBILDT margins in range of 7-7.7% in past 3 years ended FY23. In FY24, PBILDT margins improved by 197 bps from 6.97% in FY23 to 8.94% in FY24 on account of better absorption of fixed cost owing to economies of scale and reduced job work expense. The profit margins are however, susceptible to the volatile prices of raw material viz. viscose yarn which constitutes 80-90% of the production cost. Nevertheless, Viscose fibre prices are relatively less volatile compared to cotton and Polyester. The ability of the firm to manage the volatility in the raw material prices would be important from a credit perspective

Moderate financial risk profile and debt coverage indicators

The capital structure of MG has remained moderate marked by overall gearing of 1.22x in FY24. With implementation of project in MTLLP, same is expected to be moderated to the tune of 1.6-1.7x in FY25. Debt coverage indicators in FY24 have remained moderate marked by Total debt by PBILDT (TD/PBILDT) of 3.11x and Interest coverage of 1.51x (PY: 1.98). Moderation in interest coverage ratio is on account of higher amount of interest paid to creditors in FY24 (Rs. 1.36 crores in FY24, Rs. 0.30 lakhs in FY23).

Partnership nature of constitution of MT

MT is susceptible to risk associated with withdrawal/transfer of capital by the partners which may lead to deterioration in the capital structure. In past five years ended FY24, there has been only one instance of withdrawal of capital amount to Rs. 0.33 crore vis-à-vis profit of Rs. 0.5 crore in FY23. Going forward, any disproportionate withdrawal of partners' capital shall remain a key rating sensitivity.

Key strengths

Experience promotors with established track record of operations

The promoters of MG have an experienced of about a decade in the textile industry. Mr. Satish Mashru looks after the production and administration function of the firm, while Mr. Anant Patel and Mrs. Aneri Patel looks after the finance function of the firm. The promoters are supported by experienced professionals to look after the day-to-day operations.

Low project execution risk marked by advance stage of project completion and achievement of financial closure

Of Project cost of ~Rs. 55 crore, cost of ~Rs. 39 crore, translating to ~70% of total project cost is incurred and Phase I has commenced operations as well with no cost or time overrun. CAPEX under Phase II is envisaged to be completed with commencement of operations from end of December 2024. Financial closure w.r.t to bank funding required for both phases is achieved.

Liquidity: Stretched

Liquidity of MG is expected to remain stretched on account of high utilisation of working capital limits and moderate operating cycle. Average utilization of OD limits remained moderate at ~75% in last 12 months trailing October 2024. Operating cycle also remained moderate around 75-90 days on account of high inventory period of ~95-110 days and debtor collection period of ~55-60 days. This working capital-intensive nature of operations are partly funded by creditors (~70-90 days) and working capital bank borrowings. MG reported negative cash flow from operations (-ve Rs. 1.32 crore in FY24 as compared to positive CFO of Rs. 2.42 crore as on FY23 end). Moderation in CFO is on account of higher inventory levels as on FY24 end.

GCA is expected to remain in range of Rs. 4 crore to Rs. 12 crore during FY25-FY27, vis- a- vis term debt repayment obligations of Rs. 2 – Rs. 5.5 crore in FY 25-27.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Project stage companies](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

MT (Partnership firm), incorporated in 2015 is engaged in manufacturing of Grey fabrics in Surat since almost a decade. The firm initially was engaged in weaving of polyester based grey fabric till 2018. Post 2018, it gradually shifted to manufacturing of viscose base grey fabric. The firm has 522 water jet looms with installed capacity of 97.07 lakh meters per annum.
For technological advanced, MG set up a greenfield project in MTLLP to establish a manufacturing unit at Surat with 176 airjet looms having installed capacity of weaving viscose based grey fabric of 244.3 lakh meters per annum.

Combined financials: MG

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	September 30, 2024 (UA)
Total operating income	47.18	59.74	33.45
PBILDT	3.29	5.34	NA
PAT	0.50	0.55	NA
Overall gearing (times)	1.67	1.21	NA
Interest coverage (times)	1.98	1.51	NA

A: Audited UA: Unaudited; NA: Not available, Note: these are latest available financial results

Standalone financials of MTLLP: Not Applicable since it was project phase entity in FY24.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/06/2031	33.00	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	27.50	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-BG/LC		-	-	-	1.50	CARE BB; Stable / CARE A4

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	33.00	CARE BB; Stable				
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	1.50	CARE BB; Stable / CARE A4				
3	Fund-based - LT/ ST-Cash Credit	LT/ST	27.50	CARE BB; Stable / CARE A4				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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