

M.D. Hygiene Private Limited

January 07, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.49 (Reduced from 3.94)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	25.00	CARE BB-; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	0.81	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of M.D. Hygiene Private Limited (MDHPL) continue to remain constrained on account of its moderate scale of operations, thin profitability, highly leveraged capital structure along with weak debt coverage indicators and stretched liquidity. Further, the ratings also remain constrained on account of susceptibility of profitability to volatile cotton and polyester prices and its presence in a highly fragmented and competitive industry.

The ratings, however, continue to derive strength from MDHPL's experienced promoters, established marketing and distribution network, government support and positive industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume driven growth in total operating income (TOI) above Rs. 125 crore along with profit before interest, lease, depreciation and tax (PBILDT) margin above 5.50% on sustained basis.
- Improvement in capital structure with overall gearing below 3.0x along with improvement in debt coverage indicators on sustained basis.

Negative factors

- Decline in scale of operations with total operating income (TOI) below Rs. 75 crore or decline in PBILDT margin below 4.00% on sustained basis.
- Deterioration in capital structure with overall gearing above 4.50x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company shall continue to benefit from its experienced promoters and established marketing network over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations coupled with thin profitability

The company's total operating income (TOI) grew to Rs.110.32 crore in FY24 (increased by 17.93%) from Rs.93.55 crore in FY23 owing to increased demand of sanitary napkins and part execution of order received from Rajasthan Medical Services Corporation Limited. Out of total sales, sales of sanitary napkins were Rs.99.87 crore and diapers were Rs.10.44 crore. In H1FY25, MDHPL achieved sales of Rs. 91.19 crore as against ~Rs.77.01 crore during 7MFY24. Furthermore, as on December 25, 2024, MDHPL had outstanding order book from various government departments of Rs. 57 crore, translating into revenue visibility over short term.

The profitability margins of the company remained thin marked by PBILDT margin of 4.34% in FY24 as against 4.70% in FY23. Marginal deteriorated was owing to ~15% trading sales during FY24 as against Nil during FY23. Further, PAT margin also remained thin at 0.15% in FY24 as against 0.37% in FY23.

Highly leveraged capital structure and modest debt coverage indicators

As on March 31, 2024, MDHPL had a leveraged capital structure with overall gearing of 4.12x (4.36x in FY23) and a low net worth base of Rs. 7.00 crore. The slight improvement in overall gearing was on account of repayment of term loan. Furthermore, debt coverage indicators marked by PBILDT interest coverage and TD/GCA stood modest at 1.77x and 10.45x respectively.

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

Presence in a highly competitive and fragmented industry with vulnerability of profit margin to fluctuation in raw material prices

Sanitary products industry in India is highly competitive with dominance of large multi-national companies having majority of the market share. Further, these companies have competitive advantage and introduce premium products at regular intervals to grab the market share. The industry also faces competition from imports & local repackaging of sanitary products by various players. The high degree of fragmentation also leads to stiff competition amongst the manufacturers. Smaller companies in general are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as well. The price of key raw materials is also volatile in nature and hence MDHPL is exposed to the raw material price fluctuation risk.

Key strengths

Experience promoters

Mr. Naresh Gonadaliya, key promoter, holds an experience of more than a decade in the field of textile industry. Mr. Chirag Timbadiya also has an experience of around two decades in similar line of business. Mr. Ankitkumar Manubhai Kachhadiya and Mr. Bhagirathbhai Manubhai Pithavadiwala are associated with the entity from more than 6 years now and management has established positive liaising with government departments for continuous order flow.

Established marketing and distribution network

MDHPL has registered its brand name viz. '24 CARE' and '7 SOFT' for selling sanitary napkins. '24 CARE' is a premium brand while '7 SOFT' is a regular brand primarily targeted for rural area. It has also appointed chain of female marketing personnel for selling at 'Anganwadi' in rural area as well as door to door selling. The products of the company are also listed over e-commerce platforms like Amazon, Flipkart etc.

Positive industry outlook of sanitary napkins

Over the years, sanitary napkins have gained much prominence in India as the Government and NGO entities have been taking various initiatives and workshops towards educating females about the importance of personal hygiene. Thus, increasing awareness about personal hygiene among females remains one of the primary factors facilitating the growth of the Indian sanitary napkin market. In addition to this, elevating incomes and the availability of sanitary napkins at an affordable price is another factor boosting the market growth. Moreover, the manufacturers are also focusing on unique marketing strategies in order to increase their consumer-base.

Liquidity: Stretched

MDHPL's liquidity position remained stretched marked by moderate cash accruals and high dependence on working capital limits. MDHPL reported GCA of Rs. 2.76 crore in FY24 as against debt repayment obligations of Rs. 0.87 crore in FY25. The cash flow from operations turned positive to Rs. 5.30 crore in FY24 as against negative Rs. 3.14 crore in FY23 mainly due to increase in sundry payables. The average utilisation of its fund based working capital limits stood at ~66.00% during the trailing 12 months ending October 2024. Further, the operating cycle slightly increased to 30 days in FY24 (27 days in FY23).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Diversified consumer products

Surat (Gujarat) based M.D. Hygiene Private Limited (MDHPL), incorporated in March 2016, is promoted by Mr Chirag Timbadiya and Mr Naresh Gondaliya. The company is engaged into manufacturing of hygiene products i.e. sanitary napkins under the brand name '7 Soft', 'Extra Sure' and '24 Care' and baby diapers. The manufacturing facilities of the company is located at Mandvi (Surat) in Gujarat with an installed capacity of 106 crore pieces per annum for sanitary napkins and 14 crore pieces per annum for baby diapers as on September 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	6MFY25 (UA)
Total operating income	93.20	110.32	91.19
PBILDT	4.38	4.78	NA
PAT	0.35	0.16	NA
Overall gearing (times)	4.36	4.12	NA
Interest coverage (times)	1.83	1.77	NA

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

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of best available information and has classified MDHPL as "Non cooperating" vide its press release dated September 11, 2024.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-06-2028	2.49	CARE BB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	25.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	0.81	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/ST-Cash Credit	LT/ST	25.00	CARE BB-; Stable / CARE A4	1) CARE BB-; Stable / CARE A4 (15-Nov-24) 2) CARE D / CARE D (15-Nov-24)	1) CARE BB-; Stable / CARE A4 (24-Jan-24)	1) CARE BB-; Stable / CARE A4 (31-Jan-23)	-
2	Fund-based - LT-Term Loan	LT	2.49	CARE BB-; Stable	1) CARE BB-; Stable (15-Nov-24) 2) CARE D (15-Nov-24)	1) CARE BB-; Stable (24-Jan-24)	1) CARE BB-; Stable (31-Jan-23)	-
3	Non-fund-based - ST-Bank Guarantee	ST	0.81	CARE A4	1) CARE A4 (15-Nov-24) 2) CARE D (15-Nov-24)	1) CARE A4 (24-Jan-24)	1) CARE A4 (31-Jan-23)	-

LT: Long term; ST: Short 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 - ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo 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.

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About us:

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