

Mewar Polytex Limited

January 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	64.52 (Enhanced from 37.79)	CARE A; Stable	Upgraded from CARE A-; Stable
Long Term / Short Term Bank Facilities	55.00 (Enhanced from 51.13)	CARE A; Stable / CARE A1	Upgraded from CARE A-; Stable / CARE A2+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Mewar Polytex Limited (MPL), CARE Ratings Limited (CARE Ratings) has taken a combined analytical view of MPL and its group entities viz., Harmony Plastics Private Limited (HPPL; CARE A; Stable/ CARE A1), Sun Polytex Private Limited (SPPL; CARE A1; Stable/ CARE A1), and Plasti Weave Industries LLP (PWI; CARE A; Stable/ CARE A1), together referred to as the Mewar group. These entities operate in a similar line of business with operational and financial linkages, have common promoters, and operate under a common management.

The revision in the ratings assigned to the bank facilities of MPL take into account healthy growth in group's sales volume during FY24 (FY refers to the period April 01 to March 31) and H1FY25 with healthy capacity utilisations, along with an improvement in profitability, owing to fructification of the recently concluded capex.

The ratings continue to derive strength from the long track record of operations of the Mewar group in the manufacturing of woven and non-woven fabrics, its experienced management, operational synergies among group entities and the established presence of the US-based joint venture (JV) partner of HPPL. The ratings continue to factor in the group's comfortable capital structure and debt coverage indicators and adequate liquidity.

The ratings, however, remain constrained due to customer concentration risk, the group's presence in the highly competitive and fragmented industry and susceptibility of the group's profitability to fluctuations in the raw material prices as well as foreign exchange rate. Ratings also take cognisance of capacity expansion projects being undertaken by the group which is expected to elevate the debt levels in near term. While management has a demonstrated track record in implementing similar capex in past, timely completion and stabilisation of the said capex, considering its size, shall remain crucial for company's credit risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial volume-backed growth in scale of operations with maintenance of a healthy operating profitability.
- Sustenance of comfortable capital structure marked by overall gearing below 0.50x and total debt to profit before interest, lease, depreciation and tax (TD/PBILDT) below 1.50x.

Negative factors

- Moderation in group's scale of operations to below ₹600 crore with PBILDT margin below 10%, on sustained basis.
- Moderation in overall gearing above 0.85x or TD/PBILDT above 2.50x on sustained basis.
- Any major elongation in operating cycle adversely impacting the liquidity profile of the group.

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

Analytical approach: Combined

For analysis, combined view of the entities (i.e. HPPL, SPPL, MPL and PWI) belonging to the Mewar group has been considered as all these entities operate in a similar line of business with operational and financial linkages, have common promoters, and operate under a common management.

Outlook: Stable

The 'Stable' outlook on the ratings reflects CARE Ratings Limited's (CARE Ratings) expectation that the Mewar group shall continue to benefit from its established presence in the technical textile industry, particularly in the export market, with a product portfolio having diversified applications and thus shall maintain its comfortable financial risk profile supported by controlled debt levels and healthy unencumbered cash and bank balance and liquid investments.

Detailed description of key rating drivers:
Key strengths
Experienced promoters:

B.H. Bapna, founder promoter of the Mewar group, has an extensive industry experience of more than four decades and looks after the overall management of the group. He is assisted by his son Sandeep Bapna and his nephew Vinod Bapna, along with other family members. The second generation promoters have more than two decades of industry experience and are also involved in the daily operations of the group.

Established track record of operations and operational synergies amongst the group:

The Mewar group has an established presence of more than four decades in the technical textile industry. The group has a diversified product portfolio including polypropylene (PP) and high-density polyethylene (HDPE)-based woven and non-woven fabrics, bags and shoe covers, among others. The group has 12 manufacturing facilities with a total installed capacity of 54,250 MTPA (metric tonne per annum) for PP Fabric and 9 crore pieces for shoe covers, located in the states of Rajasthan (nine units) and Gujarat (three units). Anita Plastics Incorporation (API), an associate of the Mewar group, is the trading and marketing arm in USA for MPL, PWI and SPPL. All entities of the Mewar group operate under a common management and have a common distribution network as well as raw material procurement arrangement.

Established presence of US-based JV partner of HPPL:

The Mewar group derives benefit from its association with its US-based JV partner, Alpha Protech Engineered Product Inc. (Alpha), which holds 41.66% as on March 31, 2024 (41.66% as on March 31, 2023) in HPPL.

Alpha is a subsidiary of the US-based Alpha Pro Tech Ltd (APTL; established in 1989) which has a presence of more than three decades in the technical textile industry. APTL is the largest customer of HPPL as it contributed around 50%-60% of total sales of HPPL during last three years ending FY24.

APTL is one of the global manufacturers and solution providers with expertise in the field of high-value protective apparel, infection control products and a line of construction weatherisation building products for the housing market. It caters to construction building supply and roofing distributors, pharmaceutical manufacturing, bio-pharmaceutical manufacturing, medical device manufacturing, lab animal research, high technology electronics manufacturing (which includes the semi-conductor market) and medical and dental distributors.

Sustained growth in sales volume along with improvement in profitability:

The total operating income (TOI) of the Mewar group remained stable at ₹613.24 crore during FY24 (FY23: ₹601.11 crore). The group reported a healthy y-o-y growth in sales volume of 8%, 17% and 42% in fabrics, shoe cover and bags respectively, during FY24. However, owing to moderation in the prices of the raw material (i.e. polymers) the overall sales realisation moderated, which restricted the overall TOI.

With a substantial volume backed growth in higher graded products in FY24, the group witnessed better absorption of overheads, leading to significant economies of scale. This thus resulted in 362 bps improvement in the PBILDT margin to 15.21% in FY24 (FY23: 11.59%). With this, group reported a healthy growth in its gross cash accruals to Rs.78.91 in FY24 (₹57.94 crore).

The growth trajectory in sale volume continued in H1FY25 as well, and the group has reported growth of 19% in fabric, 22% in shoe cover and 6% in bags (on annualised basis) over FY24, registering the TOI of ₹298 crore during the period.

With an adequate order book of around ₹220 crore as on December 18, 2024, CARE Ratings expects the group to report a TOI of around ₹700 crore in FY25, while PBILDT margin is expected to sustain at above 15% owing to economies of scale and better sales mix, along with expected power cost savings from solar power installations.

Comfortable capital structure and debt coverage indicators:

Capital structure of the Mewar group continued to remain comfortable with an improvement in the overall gearing to 0.38x as on March 31, 2024 (March 31, 2023: 0.63x) on account of reduction in the working capital borrowings with healthy cash flow from operations, along with schedule repayment of the term debt obligations.

With moderation in the debt levels along with a healthy profitability, Mewar Group's debt coverage indicators improved on a y-o-y basis during FY24 and continued to remain comfortable, marked by a PBILDT interest coverage of 11.13 times and TD/PBILDT of 1.26x during FY24 (PY: 6.04 times and 2.36x respectively).

Group's debt levels are expected to elevate in near term due to the ongoing debt funded capex and incremental working capital requirements to support the growth in TOI. Considering the same, CARE Ratings expects the overall gearing to moderate in the foreseeable period, though it may remain below 0.70x.

Key weaknesses

On-going large sized debt-funded capex:

Owing to adequate utilisation of the existing manufacturing capacity, the group is undertaking a capex of approximately ₹227.30 crore in a phased manner in FY25-FY26, which mainly include capacity expansions in HPPL, MWL, and SPL, along with solar power installations.

The said capex will be funded through term loans of ₹159.60 crore, unsecured loans of ₹10 crore and balance from internal accruals / available liquidity, with project debt-to-equity ratio of 2.36 times. The group's total installed manufacturing capacity is expected to increase by 18,000 MTPA, marking a sizeable 33% increase from the current capacity. Large part of the debt for the project has been sanctioned till 8MFY25.

While the capex shall boost the production capacity, the cost remains sizeable as compared to the net-worth of the group. Hence, timely completion as well as stabilization of the enhanced facility will be crucial for the group's financial risk profile and shall remain a key rating monitorable, though, management's past track record of successful implementation of similar capex mitigate the associated risks to a certain extent.

Customer concentration risk:

The Mewar group has a concentrated customer profile with top five customers contributing around 70% to 80% of its total sales during the last three years ended FY24. The major customer in MPL, SPPL and PWI is its US-based associate API, which is the marketing arm of the group. API has a diversified customer base of around 60-70 customers having operations across industries including food packaging, agriculture, lamination, coating and geotextile, among others. For HPPL, the major customer is the US-based APTL. The customer concentration risk is mitigated to an extent considering the strong customer base of API and ATPL, having presence across multiple industries and Mewar group's longstanding association with these customers.

Presence in a highly competitive and fragmented industry albeit good growth prospects:

The technical textile industry is highly fragmented with presence of large number of unorganised and organised manufacturers along with competition from rising imports mainly from South Asian market. With favourable government policies like interest rate subsidy under Technology Up-gradation Fund Scheme (TUFS), concession in custom duty coupled with low entry barriers in terms of capital and technology requirements has led to the entry of many new players in this industry. However, specialized applications such as Medtech (Medical Textile), Protech (Protective Textile), Buildtech (Building Textile) among others have a strong customer stickiness with requirement to adhere to the prescribed quality, thus giving entities (such as the Mewar group) a competitive edge in the regulated export markets such as USA and Europe. Presently, the Indian technical textile industry is estimated at around USD 22 billion which is expected to grow at a health rate of around 8-10% annually. A National Technical Textile Mission has been set up, which aims to achieve this growth rate through market development, market promotion, international technical collaborations, investment promotions, and Make in India initiatives which augurs well for the technical textile segment.

Susceptibility of profitability to volatility in raw material prices and foreign exchange rate:

The main raw materials used for manufacturing of coated and non-coated woven as well as non-woven fabrics are plastic granules (Poly Propylene/High-density Polyethylene), Poly Vinyl Chloride (PVC) coated sole and synthetic rubber. Majority of these raw materials are crude oil derivatives. Hence, any steep volatility in international crude oil prices or foreign exchange rate directly impacts the prices of plastic granules, which may affect the profitability of the group depending upon the pass-on of such an increase to the end users; given raw materials forms around 50-55% of TOI. To mitigate this risk, the group undertakes periodic price revisions with its customers.

Furthermore, export sales contribute around 60 to 70% of the total sales for all four entities, which exposes them to forex fluctuation risk. To mitigate the same, entities partially hedge their forex exposure, while they also benefit from a natural hedge by availing packing credit facility in foreign currency as well as movement of raw material price in tandem with USD. In FY24, the group reported foreign exchange gain of ₹5.85 crore (FY23: ₹14.12 crore). This apart, profitability also remains exposed to volatile freight rates, though the same is passed on, on actual basis, in majority of the entities.

Liquidity: Adequate

The group has adequate liquidity with sufficient cushion available in its gross cash accruals against debt repayment obligations, interest-free unsecured loans extended by promoters to support operations and moderate utilization of working capital limits, backed by a healthy cash flow from operations. Average utilisation of fund-based working capital limits remained moderate at around 62% for the group for past 12 months ended October 2024. The cash flow from operations remained healthy at ₹93.81 crore in FY24 as compared to ₹103.60 crore in FY23.

Liquidity of the group is further supported by the availability of free cash and bank and liquid investment of ₹ 61.85 crore (FY23: ₹.34.27 crore) as on March 31, 2024. The Mewar group has lean debtor days of 28 in FY24 (FY23: 23 days). The group offers credit period of 30 to 45 days to its domestic customers while in case of exports, credit period of seven days is given for woven fabric and 15-30 days for non-woven fabric mainly to APTL. The group procures majority of its raw material from Reliance Industries Limited to whom the payment is made within 5-7 days, while it gets credit period of around 15-30 days from other suppliers. The operating cycle of the company improved by 32 days to 102 days in FY24 mainly due to effective management of inventory, leading to reduction in inventory holding period from 129 days in FY23 to 87 days in FY24.

Assumptions/Covenants: Not Applicable**Environment, social, and governance (ESG) risks:** Not Applicable**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](#)
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About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

Udaipur (Rajasthan) -based Mewar group is engaged in the manufacturing of technical textiles through four entities, HPPL, MPL, SPPL, and PWI. The group has total installed capacity of 54,250 Metric Tonnes per Annum (MTPA) for PP fabrics and 9 crore pieces for shoe covers as on March 31, 2024.

The product portfolio includes polypropylene (PP) and high-density polyethylene (HDPE)- based woven as well as non-woven fabrics, and protective apparels such as shoe covers and sleeve protectors and bouffant caps through various manufacturing facilities located in Rajasthan and Gujarat. These products find application across industries, such as cement, food, pharmaceuticals, chemical, construction, and healthcare.

MPL (CIN: U25201RJ1979PLC001879) was initially incorporated as a private limited company in 1979 by B.H. Bapna and his family. In 1994, it was reconstituted as a public limited company. It has installed capacity of 17,500 MTPA as on March 31, 2024.

Combined Financials

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (Prov)
Total operating income	601.11	613.24	298.38
PBILDT	69.67	93.28	61.55
PAT	22.64	41.47	25.34
Overall gearing (times)	0.63	0.38	0.61
Interest coverage (times)	6.04	11.13	10.75

UA: Unaudited, Prov: Provisional, Note: these are latest available financial results

Standalone Financials-MPL

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov)
Total operating income	201.17	247.79	137.10
PBILDT	22.75	31.30	18.45
PAT	6.03	8.63	5.49
Overall gearing (times)	1.00	0.75	Not Available
Interest coverage (times)	5.27	13.72	8.27

A: Audited Prov: Provisional, Note: these are latest available financial results

Status of non-cooperation with previous CRA: Acuite has classified MPL's ratings under 'Issuer not Cooperating' vide its press release dated August 21, 2024, on account of inadequate information from the company to carry out review.

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		-	-	September 2028	64.52	CARE A; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	55.00	CARE A; Stable / CARE A1

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	64.52	CARE A; Stable	-	1)CARE A-; Stable (04-Mar-24)	1)CARE A-; Stable (06-Mar-23)	1)CARE A-; Stable (15-Mar-22) 2)CARE A-; Stable (25-Feb-22)

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
								3)CARE BBB+; Positive (26-Jul-21) 4)CARE BBB+; Positive (06-Apr-21)
2	Fund-based - LT/ST-Cash Credit	LT/ST	55.00	CARE A; Stable / CARE A1	-	1)CARE A-; Stable / CARE A2+ (04-Mar-24)	1)CARE A-; Stable / CARE A2+ (06-Mar-23)	1)CARE A-; Stable / CARE A2+ (15-Mar-22) 2)CARE A-; Stable / CARE A2+ (25-Feb-22) 3)CARE BBB+; Positive / CARE A2 (26-Jul-21) 4)CARE BBB+; Positive / CARE A2 (06-Apr-21)

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

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.

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