

MANOMAY TEX INDIA LIMITED
[Formerly known as *Manomay Tex India Private Limited*]
REGD. OFF. :- 32, HEERA PANNA MARKET
PUR ROAD, BHILWARA - 311001 (RAJ)

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MTIL/BSE/2020-21

Date: 10.08.2020

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To,
The General Manager,
DCS-CRD
BSE Limited
PhirozeJeejeebhoy Towers
Dalal Street Mumbai- 400001(MH)

BSE Scrip ID: Manomay(MTIL)

BSE Scrip Code: 540396

Subject: Corporate Announcement under Regulation 30 of SEBI (LODR) Regulations, 2015 for intimation of reaffirmation of credit ratings by Brickwork Rating India Pvt. Ltd.

Dear Sir/Madam,

Pursuant to Regulation 30 read with Clause A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; we would like to inform you that Brickwork Rating India Pvt. Ltd vide their letter dated 30th July, 2020; have reaffirmed the following ratings to the bank loan facilities of Rs. 89.38 Crores availed by the Company:

Total Bank Loan Facilities Rated	Rs. 89.38 Crore
Long Term Rating	BWR BBB (Stable Reaffirmed)
Short Term Rating	BWR A3+ (Reaffirmed)

We request you to please take the above information on your record and host the same on the Website of BSE for knowledge of Members/ Investors of the Company.

Thanking You
Yours Faithfully,
For: Manomay Tex India Limited



KAMESH SHRI MAL

KAMESH SHRI SHRI MAL
Company Secretary and
Compliance Officer

Encl.

1. Credit Rating Letter Dated 30th July, 2020 received from Brickwork Rating India Pvt. Ltd.



RATING RATIONALE

30 July 2020

Manomay Tex India Ltd

Brickwork Ratings reaffirms the ratings, with a change in outlook from positive to stable, for the Bank Loan Facilities of Rs.89.38 Crores of Manomay Tex India Ltd.

Particulars:

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (07 Feb 2020)	Present
Term Loans	31.89	36.38	Long Term	BWR BBB Positive	BWR BBB Stable (Reaffirmed)
Cash Credit	45.50	45.50			
LC/BG	7.50	7.50	Short Term	BWR A3+	BWR A3+ (Reaffirmed)
PC/PCFC/FBP	(45.50)	(45.50)			
Total	84.89	89.38	Rupees Eighty Nine crores and Thirty Eight Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

Company is also availing forward contract limit of Rs.3 crs apart from the above rated amount.

RATING ACTION / OUTLOOK

Reaffirmation in the ratings of Manomay Tex India Ltd. (MTIL or 'the company') factors in growth in revenues and profitability during FY20, along projected lines after factoring in business disruptions during the second half of March 2020 caused by COVID 19 pandemic related lockdown, alongwith improvement in gearing and capital structure, moderate debt coverage profile and healthy order book position for next 3 months.

For FY21 the company is expecting to generate lower revenues, after factoring in the business disruptions caused by the COVID 19 pandemic and lockdown, although it is hopeful of an improvement in operating profit margins owing to several cost cutting measures undertaken by it. However, in FY22 the company expects to achieve the revenue levels achieved in FY20, indicating a sharp revival in business post the COVID 19 related impact. Exports constituted 45% of the total revenues during FY20 against 41.64% share in FY19. Exports are to markets in the Latin America, Egypt, Mexico, and the countries in the Middle East that are less impacted by COVID 19 as compared to other parts of the world.

Outlook: Stable

Revision in outlook to Stable indicates change in expectations in business and financial performance owing to the COVID 19 pandemic against earlier estimates for FY21. Total revenues and profits of the company are likely to be impacted during FY21, due to business disruptions caused by the COVID-19 pandemic and related lockdowns, that has hampered production and supply chains for Q1FY21. Business is expected to return to pre-Covid levels from Q1FY22 onwards, based on which the company has projected sharp recovery in business activity. Expected higher operating margins along with loan moratorium availed by the company till Aug 2020, is likely to provide a necessary cushion to its debt servicing ability during FY21 and likely to offset the negative impacts of decline in revenues during FY21.

KEY RATING DRIVERS

Credit Strengths

- Experienced Promoters: The company has on board a mix of promoter-directors and independent directors who have adequate experience in the textile industry. Shri Kailash Chandra Laddha, promoter of the company, has experience of more than 3 decades in the textile manufacturing sector.
- Growth in Scale of Operations and exports: During FY20, due to expansion of exports and entry to markets in new countries, total operating revenues improved to Rs.405 Crs against revenues of Rs.377 Crs and Rs.286 Crs during FY19 and FY18 respectively. In FY19 the company's total exports were Rs.156.61 Crs which increased to Rs.183.66 Crs in FY20. Increase in exports is the result of extensive marketing efforts undertaken by the company.
- Improvement in capital structure and overall gearing: Additional equity by way of increase in paid up capital by Rs.2 Crs and share premium of Rs.5 Crs has been infused during current FY20. This along with reduction in total debt has resulted in improvement of overall gearing to 1.49x (Total Debt/TNW) and 2.18x (TOL/TNW) during FY20 against 2.09x and 3.22x respectively during FY19.

Credit Risks:

- Thin profitability margins: Operating profit margin and net profit margin during FY20 are 6.29% and 1.67% respectively against 6.75% and 1.07% respectively during FY19. Improvement in net profit margin is due to adjustment of deferred tax liabilities. Volatile input cotton prices and downside risks to capacity utilisation would adversely affect operating margins.
- Debt Coverage indicators: Debt coverage ratio of the company was moderate at 1.42x during FY19 and FY20 leaving it with low margin of safety. Any downside risks to operating revenues and profits or additional term borrowings are to deteriorate the coverage ratio.
- Highly fragmented and competitive nature of textile industry and external factors: Textile industry is characterised by high fragmentation and competition due to the presence of a large



number of small and unorganised players. During the last few months, the apparel export sector has been hit by the lingering effects of (i) demonetisation (ii) GST implementation and delayed refunds of input tax credits (iii) reduction in applicable duty drawbacks (iv) favorable manufacturing and export environment in low labour cost countries in Asia viz. Bangladesh, Vietnam, Cambodia etc.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Substantial improvement in scale of operations, operating margins and debt coverage indicators.

Negative: Decline in revenues, operating margins, working capital cycle. Deterioration in liquidity would be a key monitorable.

LIQUIDITY POSITION : Adequate

During FY20, against cash accruals of Rs.16.55 Crs, the company was comfortably placed in servicing loan repayments of Rs.9.10 Crs. In FY21, due to severe business disruptions, the company is expected to generate lower cash accruals but is hopeful of servicing its loan repayment obligations of Rs.6.12 crs. The company has obtained a 6M loan moratorium from March 2020 to August 2020 under RBI COVID 19 regulatory package. Besides this, the company has an undrawn sanctioned line of funded credit facility of Rs.4.50 crs under liquidity facilities announced by GoI and RBI. The company has projected deterioration in cash conversion cycle to 90 days in FY21 against 33 days in FY20. Thus, any deterioration in revenues and operating margins against expectations may play spoilsport and stretch liquidity position in the company. Managing its liquidity in the backdrop of the COVID-19 pandemic will be critical to fund its repayments in a timely manner. Cash conversion cycle and working capital management would be another key monitorable.

COMPANY PROFILE

Manomay Tex India Tex (Formerly, Manomay Tex India Private Limited), incorporated on 13th April 2009 with its current registered office at 32, Heera Panna Market, Pur Road, Bhilwara, Rajasthan is engaged in manufacturing and sale of different varieties of primarily denim fabrics. The company was converted to a public limited Company with effect from 6 January 2017. Kailash Chandra Laddha, Mahesh Chandra Laddha, Yogesh Laddha (MD), Kamlesh Laddha, Basant Porwal, Pallavi Laddha, Srinivas Bhattad and Dilip Porwal are the directors in the company. The company has two manufacturing units located at Chittorgarh (Rajasthan) and Ichalkaranji (Maharashtra) with an annual production capacity of 360 lakh meters of fabrics, mainly Denim.

The company has been maintaining long years of business relationships with its suppliers and domestic buyers. The company was awarded a 2 star export house status on 11th Feb 2019 (valid for 5 years) by DGFT under Ministry of Commerce & Industry, GoI. The company has also received the Texprocil Gold Awards for exports for 2 consecutive years, under CAT 1 (< Rs.100 crs exports) in FY18 and under CAT

II (Rs.100 crs to Rs.300 crs) in FY19. The company is ISO 9001 and ISO 14001 certified.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019(Aud)	2020(Aud)
Operating Revenue	Rs. crs	376.62	405.45
EBITDA	Rs. crs	25.43	25.49
PAT	Rs. crs	4.03	6.78
Tangible Net worth	Rs. crs	44.89	58.67
Total Debt/Tangible Net worth	Times	2.09	1.49
Current Ratio	Times	1.30	1.39

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL

RATING HISTORY for the past three years (Including withdrawn and suspended)

Instrument /Facility	Current Year (2020)			Rating History											
	Current Rating			07 Feb 2020			30 July 2019			05 July 2018			09 June 2017		
Bank Loan	FB	Rs.81.88 crs	BWR BBB Stable										FB	Rs. 72.31 crs	BWR BB Stable
	NFB	Rs.7.50 crs	BWR A3+	FB	Rs.77.39 crs	BWR BBB Positive	FB	Rs.89.85 crs	BWR BBB Stable	FB	Rs.76.22 crs	BWR BBB Stable	NFB	Rs.14 crs	BWR A3
	FB	(Rs.45.50 crs)		NFB	Rs.7.50 crs	BWR A3+	NFB	Rs.3 crs	BWR A3+	NFB	Rs.3 crs	BWR A3+			
				FB	(Rs.45.50 crs)										

ANNEXURE I

Manomay Tex India Ltd Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term {(₹ Cr)}	Total {(₹ Cr)}
1		Cash Credit	25.00	NIL	25.00
2		TL-1	2.18	NIL	2.18

3	State Bank of India, Industrial Estate Branch, Bhilwara	TL-2	5.23	NIL	5.23
4		TL-3	8.24	NIL	8.24
5		SME Assist	0.67	NIL	0.67
6		CCECL	2.50	NIL	2.50
7		LC	NIL	5.00	5.00
8		PC/PCFC/FBP	NIL	(25.00)	(25.00)
9		Oriental Bank of Commerce, Gandhi Nagar, Bhilwara	Cash Credit	20.50	NIL
10	TL-1		4.87	NIL	4.87
11	TL-2		8.44	NIL	8.44
12	TL-3		2.25	NIL	2.25
13	DM (CECF)		2.00	NIL	2.00
14	LC		NIL	2.50	2.50
15	PC/PCFC/FBP		NIL	(20.50)	(20.50)
TOTAL			81.88	7.50	89.38

Total Rupees Eighty Nine crores and Thirty Eight Lakhs only.

Company is also availing forward contract limit of Rs.3 crs apart from the above rated amount..

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)

Analytical Contacts	Investor and Media Relations
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