



Press Release

MI Industries India Private Limited

July 27, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	72.95 (enhanced from Rs. 68.08 crore)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	1.77	IVR A3 (IVR A Three)	Upgraded	Simple
Total	74.72	Rupees Seventy Four Crore and Seventy Two Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook and short-term rating of IVR A3 for the bank loan facilities of MI Industries India Private Limited (MI IPL).

The revision in rating to the above-mentioned bank facilities of MI Industries India Private Limited (MI IPL) is on account of improvement in its scale of operations in FY22 (provisional) and its moderate capital structure with modest debt protection metrics, extensive experience of promoters in apparel industry, reputed customer profile albeit concentrated and successful track record, sustainable development. However, the ratings are constrained by intense competition prevalent in the textile industry and availability of cheaper substitutes, exposure to regulatory risk and working capital intensive nature of operations.

IVR has principally relied on the standalone audited financial results of MI IPL upto 31 March 2021, provisional financials for FY22 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the firm's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income, profitability and consequent increase in debt protection metrics and cash accrual.
- Improvement in capital structure and improvement in operating cycle.

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.
- Withdrawal of unsecured loan from promoter.
- Deterioration in the capital structure.
- Elongation in its gross operating cycle with increased reliance on working capital borrowings.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the apparel industry

The promoter, Mr. Arvind Modi is associated with the business since inception and has around for more than two decades in the garment industry. He looks after the overall business operations of the company. He is ably supported by his son, Mr. Aadit Modi and Mr. Akshat Modi, who has an experience of six year in garment manufacturing industry. The company is benefited by experienced management, who has helped the company to maintain healthy and long-standing relationship with the customers.

Reputed customer profile albeit concentrated and successful track record

MIPL was incorporated in 2009 and commenced operations in 2015, consequently it has seven years of experience in textile processing industry. MIPL customer profile consists of well-known clients such as Orient Craft Limited, Tommy Hilfiger, Hollister, Aditya Birla Fashion and Retail Limited, Marks & Spencer's, American Eagle, Aeropostale, etc.



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Sustainable Development

The company lays emphasis on achieving financial profitability along with achieving ecological balance by use of non-carbon fuel for conservation of energy (using rice husk to generate heat). MIPL has also in process of construction of Effluent Treatment Plant to reduce the water wastage and release safe water in the environment.

Growth in scale of operations

The scale of operations of the company remained modest and registered a sustained growth with a y-o-y growth of ~69% in FY22 (provisional). The growth was mainly driven by increase in order execution with addition of new clients in the customer profile. With improved scale of operations, absolute EBITDA has also improved during the aforesaid period and the EBITDA margin stood satisfactory at 13.36% in FY22 (13.89% in FY21). Further, PAT margin improved from negative to positive and stood at 1.40% in FY22 (provisional).

Moderate capital structure with modest debt protection metrics

The capital structure of the entity remained moderate in past two fiscal years due to its modest net worth base and higher dependence on working capital borrowings to fund its working capital requirements. The overall gearing ratio stood modest at 1.42x as on March 31, 2022 (provisional) as against 1.15x as on March 31, 2021. Further, total indebtedness as reflected by TOL/ATNW also remained moderate at 1.75x as on March 31, 2022 (provisional) as against 1.47x as on March 31, 2022. Further, debt protection metrics of the entity remained moderate with interest coverage ratio at 2.45x in FY22 (provisional) and Total debt to GCA stood high at 10.20 years in FY22(provisional).

Key Rating Weaknesses

Intense competition prevalent in the textile industry and availability of cheaper substitutes

The company is exposed to intense competition prevalent in the highly fragmented Indian textile industry and faces stiff competition from both organised and unorganised players. Also, the company faces risk from its substitutes such as polyester, cotton and increasing imports leads to cheaper availability of the raw materials. For the competitive landscape, the company faces stiff competition in both domestic and overseas market.



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Exposure to regulatory risk

MIPL, like other players in the textile industry, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, etc.

Working capital intensive nature of operations

Operations of the company are working capital intensive, marked by its elongated operating cycle of 145 days for FY22 (provisional). This is mainly due to high inventory days of around 142 days for FY22 (provisional) which majorly consist of raw material holding period of 58 days and finished goods inventory of 52 days.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity –Adequate

MIPL earned gross cash accruals of Rs.10.19 crore as against its repayment obligation of Rs.5.70 crore as on March 31, 2022 (provisional). The company's fund-based working capital limits for last 12 months ending May 2022 stood at ~65% indicating moderate cushion available in case of adversities. The company has a current ratio of 1.91x as of March 31, 2022 (provisional). Moreover, the company is expected to generate cash accruals in the range of Rs.14.00- 18.00 crore as against its debt servicing obligation of ~Rs.4.00 to 10.00 crore FY23-25. The company has adequate cash and cash equivalents amounting to Rs.2.72 crore as on March 31, 2022 (provisional). All these factors reflect adequate liquidity position of the company.

About the Company

MI Industries (India) Private Limited (MIPL) was incorporated on 1st April, 2009 and commenced processing of grey cloth from 26th March 2015 onwards in Textile Processing Plant at Jamunaka, Distt. Aligarh, Uttar Pradesh where company carries out dyeing and



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printing on the grey fabric along with other ancillary processes such as singeing, de-sizing, mercerising, bleaching and washing with current capacity of 19500000 meters per annum of fabrics. The company has latest machinery to deliver fabrics. The company is being run by Mr. Arvind Kumar Modi who is assisted by Mrs. Poonam Modi, Mr. Aadit Modi, Mr. Ashutosh Shukla who has an extensive experience in the textile processing industry through his other group companies.

Financials (Standalone):

	(Rs. Crore)	
For the year ended*	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	83.28	141.58
EBITDA	11.56	18.91
PAT	-2.31	1.99
Total Debt	96.90	103.98
Adjusted Tangible Net worth	63.62	60.47
EBITDA Margin (%)	13.89	13.36
PAT Margin (%)	-2.76	1.40
Overall Gearing Ratio (x)	1.15	1.42

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Jun 22, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (March 30, 2020)
1.	Cash Credit	Long Term	23.00 (enhanced from Rs. 18.00 crore)	IVR BBB-/ Stable	IVR BB+/ Stable	-	IVR BBB-/ Stable
2.	Term Loan	Long Term	49.95 (reduced from Rs. 50.08 crore)	IVR BBB-/ Stable	IVR BB+/ Stable	-	IVR BBB-/ Stable
3.	Bank Guarantee	Short Term	1.77	IVR A3	IVR A4+	-	IVR A3



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	23.00	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loans	-	-	-	49.95	IVR BBB-/ Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	1.77	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: <https://www.infomerics.com/admin/prfiles/Lender-MIIPL-27-07-22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).