



Press Release

Magnum Clothing Private Limited

August 24, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	9.47	IVR BB/ Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	40.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	49.47 (INR Forty-Nine crore forty- seven lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Magnum Clothing Pvt. Ltd. takes into account the long experience of promoters and established track record of operations, reputed clientele and growth in scale of operations in FY22(P). The ratings, however, are constrained by thin profitability, leveraged capital structure and average debt protection metrics, susceptibility to fluctuations in input prices and intense competition prevalent in the textile industry and availability of cheaper substitutes.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of promoters and established track record of operations

The promoter possess experience of around four decades in the textile industry. The company is engaged in manufacture and export of ladies and children's readymade garments such as suits, shirts, t-shirt, night wear, etc. Aided by their long-standing experience, the company has established a large and diversified customer base and receive repeat orders indicating high quality products delivered on time.

Reputed Clientele

MPCL's customer profile consists of well-known and reputed clients such as Tesco PLC, Next PLC and Marks and Spencer, Only, Veromoda etc. They receive regular orders from such clients thereby reflecting stability in revenue generation.

Growth in scale of operations in FY22(P) albeit thin profitability:

The company registered a growth in its total operating income by around ~34% to Rs. 193.58 crore in FY22 mainly driven by increase in order execution with addition of new clients in the customer profile as well as receipt of orders from existing clients. Subsequently, the EBITDA and PAT also showed improvement as they stood at Rs.5.12 crore and Rs.1.27 crore in FY22(P) respectively as compared to Rs.4.00 crore and Rs.0.33 crore in FY21. EBITDA and PAT margins of the company were 2.64% and 0.65% respectively in FY22(P) as compared to 2.77% and 0.23% in FY21. The Gross cash accruals of the company stood at Rs.2.91 crore in FY22(P) as compared to Rs. 2.19 crore in FY21.

Key Rating Weaknesses

Leveraged capital structure and average debt protection metrics:



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MCPL has a modest net worth of Rs. 14.46 crore as on March 22(Prov). The company's capital structure is leveraged with overall gearing of 3.54 times due to high reliance on bank limits to support its working capital requirement and TOL/ANW ratio of 5.32 times as on March 31, 2022(Prov). Further, debt protection metrics of the entity are average, as reflected in interest coverage of 2.06 times while Total debt to GCA stood high at 17.57 times in fiscal 2022(Prov).

Susceptibility to fluctuations in input prices

The major raw materials are fabrics and other finished materials. Acquiring and storing of adequate amount of inventory plays a very important role in Textile industry. Cotton, wool, silk and jute fabric are agro based and their prices are volatile in nature which may lead to fluctuation in revenue and profitability.

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 and garment export industry and faces stiff competition from both organised and unorganised players.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating Outlook](#)

Liquidity: Adequate

The liquidity profile of company is adequate marked by moderate utilisation of fund-based limits at ~77% during the past 12 months ended June 2022. The company expects sufficient cushion in its cash accruals vis a- vis its debt repayment obligations. The current ratio of the company was also moderate at 1.22x as on March 31, 2022. The free cash and other Bank balances including unencumbered FD the of the company stood at Rs.3.39 crores as on March 31, 2022.



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About the Company

Incorporated in 1986, Magnum Clothing Private Ltd commenced its operation in 1987 at Chennai. It is engaged in manufacturing and export of readymade garments for women and children.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisionals
Total Operating Income	144.55	193.58
EBITDA	4.00	5.12
PAT	0.33	1.27
Total Debt	48.32	51.16
Tangible Net worth	12.89	14.46
EBITDA Margin (%)	2.77	2.64
PAT Margin (%)	0.23	0.65
Overall Gearing Ratio (x)	3.75	3.54
Interest Coverage Ratio (x)	1.73	2.06

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 June 4, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	2.97	IVR BB/ Stable	IVR BB/ Stable	-	-
2.	GECL	Long Term	6.50	IVR BB/ Stable	IVR BB/ Stable	-	-



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3.	PCA/ PCFC	Short Term	19.00	IVR A4	IVR A4	-	-
4.	PSFC/FOB P	Short Term	20.00	IVR A4	IVR A4	-	-
5.	ADDB	Short Term	1.00	IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:

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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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accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan -I	-	-	FY24	0.97	IVR BB/ Stable
Term Loan -II	-	-	FY27	2.00	IVR BB/ Stable
GECL	-	-	FY27	6.50	IVR BB/ Stable
PCA/ PCFC	-	-	-	19.00	IVR A4
PSFC/FOBP	-	-	-	20.00	IVR A4
ADDB	-	-	-	1.00	IVR A4

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Magnum-Clothing-aug22.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 www.infomerics.com.