Tessitura Monti India Private Limited

March 13, 2025

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities (including proposed limit of Rs. 24.03 crore)	80.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Total	**80.00 (Rupees eighty crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating assigned to the bank facilities of Tessitura Monti India Private Limited (TMIPL) derives comfort from its experienced promoters, established marketing position, stable business performance and average financial risk profile marked by moderate capital structure with moderate debt protection metrices. However, these rating strengths are partially offset by vulnerability of its profitability to cotton yarn price fluctuation, exposure to foreign exchange fluctuation risk, presence in intensely competitive industry, exposure to project implementation risk and working capital intensive nature of business.

The outlook is expected to remain stable based on Infomeric's expectation that India's textile and apparel sector will expand, and demand is going to remain stable in near future leading to stable business performance of the company.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the debt protection metrics of the company with interest coverage sustained over 2.5x
- Efficient working capital management leading to improvement in liquidity

Downward Factors

- Decline in operating income or moderation in profitability impacting the cash accrual
- Any unplanned debt funded capex leading to moderation in the capital structure with moderation in overall gearing ratio to more than 2.0x and/or moderation in the debt protection metrics with deterioration in interest coverage to below 1.5x
- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The current promoter of the company, Mr Jodh Raj have been in the textile business for more than 30 years. TMIPL is expected to benefit from the extensive experience of its new promoter in the 100% cotton fabric business, established distribution network and committed fund support. Mr Jodh Raj is ably assisted by other directors and team of experience professionals. Post takeover, the new promoter has infused additional funds of around Rs. 25 crore into TMIPL, which has been used for debt repayment and working capital management.

Established marketing position

TMIPL has an established position in the premium shirting segment in India and abroad, deriving strength from its Monti brand, which is associated with premium shirting fabric. The company has established customers such as Laguna Clothing LLP and Aditya Birla Fashion in the domestic market and a strong clientele in Europe.

Stable business performance

The business performance of the company remained stable over the past two fiscal years ended in FY24 (FY refers to the period from April 1 to March 31). The total operating income of the company witnessed an erratic trend over the last three years during FY22-FY24. The company had incurred losses in FY22 under the old management mainly due to subdued market scenarios. However, post change in management since FY23 the company has witnessed turnaround with improvement in operating profit margin. The PAT margin remained satisfactory at 2.61% in FY24.

Average financial risk profile marked by moderate capital structure with moderate debt protection metrices

The capital structure of the company remain moderate marked by its modest tangible net worth base, moderate leverage ratios and satisfactory debt protection metrics. The adjusted tangible net worth (ATNW) including subordinated unsecured loans of Rs.25.00 crore stood modest at

Rs.38.69 crore as on March 31, 2024. The overall gearing ratio improved and remained moderate at 1.24x as on March 31, 2024 as against 1.40x as on March 31, 2023 due to scheduled repayment of long term debt and accretion of profit to reserves. The total indebtedness of the company marked by TOL/ATNW improved and remain satisfactory at 2.22x as on March 31, 2024 (2.42x as on March 31, 2023). The debt protection metrics of the company also improved and remained moderate marked by interest coverage ratio at 1.72x in FY24 as against 1.41x in FY23. The improvement in interest coverage is marked by increase in absolute EBITDA. Total debt to EBITDA and Total debt NCA also stood moderate at 3.32x and 6.76 years respectively as on March 31, 2024.

Key Rating Weaknesses

Vulnerability of profitability to cotton yarn price fluctuation and exposure to foreign exchange fluctuation risk

The company's profitability is vulnerable to sharp fluctuations in raw material (cotton yarn) prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus the company's profitability remains susceptible to any adverse movement in cotton and yarn prices. Exports contributes around 30-35% of its total sales to the overseas market, mainly to Europe, which makes the company vulnerable to any sharp volatility in forex rates.

Presence in intense competitive industry

The spinning and weaving industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

Project implementation risk

The company has recently embarked a project for enhancement in its weaving and dyeing capacity and establishment of solar plant worth Rs.28.50 crore, through debt of Rs.21.00 crore and promoters' contribution and internal accrual of Rs.7.5 crore, i.e., at a debt equity ratio of 2.8:1. As on February 26, 2025, the company had incurred Rs.6.57 crore towards project, through their own internal accruals. The project has just started and expected to get completed by September 2025. Hence, there exists a project implementation and stabilization risk.

Working capital intensive nature of business

The business model of the company requires the company to maintain a certain level of inventory of raw material and finished goods, to meet the present and future orders. This apart

TMIPL offers credit period of around 30-45 days to its customers. Therefore, inventory and debtors' management is crucial for the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]

[Financial Ratios & Interpretation (Non-Financial Sector).]

[Criteria for assigning Rating outlook.]

[Policy on Default Recognition]

[Complexity Level of Rated Instruments/Facilities]

Liquidity – Adequate

The company had generated adequate cash accrual of around ~Rs.7.07 Cr in FY24 as against repayment obligation of ~Rs.5.68 crore. Further, the company is also expected to generate steady cash accrual in the range of Rs. 12.55 crore to Rs. 15.76 crore against its repayment obligation in the range of Rs.3.12 crore to Rs.5.56 crore during FY25-FY27. The company has adequate gearing headroom marked by its moderate overall gearing ratio at 1.24x as on March 31, 2024. However, average bank limit utilisation of the company for last 12 months ended January 2025 remains on the higher side at ~86% indicating limited liquidity buffer.

About the Company

Tessitura Monti India Private Limited (TMIPL) was incorporated on 15th January 2001 in Maharashtra. TMIPL is 100% subsidiary of JAEC International Private Limited (JAEC), which is controlled by the Hi Fabrique Group, Bengaluru who are leading dealers in premium shirting fabric and other textiles since last three decades. The company was earlier a 100% subsidiary of Italian textile major Tessitura Monti Spa (TMS). JAEC bought 100% stake from TMS in December 2022, through a bidding process where the latter filed for insolvency in the court of Italy. TMIPL has manufacturing plant at Kolhapur to manufacture 100% cotton dyed yarn shirting fabric with total installed capacity of 8 million meters per annum.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	203.08	175.60
EBITDA	12.51	14.39
PAT	5.96	4.61
Total Debt	49.43	47.81

For the year ended/ As on*	31-03-2023	31-03-2024
Tangible Net Worth	35.19	38.69
EBITDA Margin (%)	6.16	8.20
PAT Margin (%)	2.86	2.61
Overall Gearing Ratio (x)	1.40	1.24
Interest Coverage (x)	1.41	1.72

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Term Loan	Long Term	8.97	IVR BBB-; Stable	-	-	-
2.	Cash Credit	Long Term	35.00	IVR BBB-; Stable	-	-	-
3.	Post Shipment Credit	Long Term	12.00	IVR BBB-; Stable	-	-	-
4.	Proposed Term Loan	Long Term	21.00	IVR BBB-; Stable	-	-	-
5.	Proposed Fund Based	Long Term	3.03	IVR BBB-; Stable			

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About Infomerics:

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	June 2026	8.97	IVR BBB-; Stable
Cash Credit	-	-	-	-	35.00	IVR BBB-; Stable
Post Shipment Credit	-	-	-	-	12.00	IVR BBB-; Stable
Proposed Term Loan	-	-	-	-	21.00	IVR BBB-; Stable
Proposed Fund Based	-	-	-	-	3.03	IVR BBB-; Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-tessitura-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.