

February 12, 2024

Matrix Clothing Private Limited – Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Term Loan	1.64	1.64	[ICRA]BBB+; Placed on Rating Watch with Developing Implications
Short-term – Fund Based – working capital	106.80	106.80	[ICRA]A2; Placed on Rating Watch with Developing Implications
Total	108.44	108.44	

*Instrument details are provided in Annexure-1

Rationale

As per exchange filing of Gokaldas Exports Limited (GEL) dated February 01, 2024, Matrix Clothing Private Limited (MCPL) has entered into an agreement with GEL to transfer the entire equity share capital of its 100% subsidiary- Matrix Design & Industries Private Limited (MDIPL) at an enterprise value of Rs. 489 crore. As per the agreement, MCPL will transfer its apparel business to its wholly owned subsidiary- MDIPL, which will be acquired by GEL. Out of the total enterprise value, Rs.247.5 crores would be paid by way of preferential allotment of shares of GEL through share swap, Rs.155 crore would be paid towards settling the existing debt of MDIPL availed from MCPL and a cash consideration of Rs.86.5 crore would be paid to MCPL. The transaction is also subject to various regulatory and shareholder approvals.

ICRA has taken note of the above event and has placed the outstanding ratings of [ICRA]BBB+ (pronounced ICRA triple B plus) and [ICRA]A2 (pronounced ICRA A two) on rating watch with developing implications given that the clarity on the deployment of cash, which would be available to MCPL and its future cash flows will emerge only post the successful completion of the MDIPL acquisition by GEL. ICRA would continue to monitor the developments in this regard and will take an appropriate action as may be required.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Apparels
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MCPL, details of which have been enlisted in Annexure II.

About the company

MCPL, incorporated in 1977, manufactures apparels for the international markets. MCPL's current product portfolio consists of knitwear and woven apparel. The company has dedicated divisions for each of the following product lines—men's knitwear, men's woven wear and women's apparel. While the men's division includes golf apparel, performance wear, rugbies, sweats, hoodies, jackets and boxer shorts, the women's division has embroidered, sequins, prints, casuals and lounge wear. MCPL manufactures all its products at its facilities in Gurgaon.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding as of Feb 6, 2024 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Feb 12, 2024	Mar 14, 2023	Feb 17, 2022	Nov 10, 2020
1 Fund-based – Term Loan	Long-term	1.64	0.0	[ICRA]BBB+; Rating Watch with Developing Implications	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	
2 Fund-based – Working Capital	Short-term	106.8	-	[ICRA]A2; Rating Watch with Developing Implications	[ICRA]A2	[ICRA]A3+	[ICRA]A3	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Short-term-Fund-based working capital	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Term loan	October 2017	NA	FY2024	1.64	[ICRA]BBB+; Rating Watch with Developing Implications
NA	Fund-based – Working Capital	NA	NA	NA	106.80	[ICRA]A2; Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Matrix Clothing Private Limited	Holding Company	Full Consolidation
Subsidiary Companies		
Tangerine Design Private Limited	100.00%	Full Consolidation
Matrix Clothing Private Limited Jordan LLC	100.00%	Full Consolidation
Matrix Horizons Pvt Ltd	100.00%	Full Consolidation
MHPL Clothing Pvt. Ltd.	100.00%	Full Consolidation
Joint Venture Company		
Centre of Excellence In Design Limited	50.00%	Proportionately Consolidated
Associate Company		
Basko Finance and Leasing Pvt Ltd	-	Equity Method

Source: MCPL annual report FY2022

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