

MAY 19, 2016

CARE ASSIGNS 'CARE BBB-' AND 'CARE A3' RATINGS TO THE BANK FACILITIES OF MAHARAJA SHREE UMAID MILLS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	160.20 [Enhanced from Rs.89.55 crore]	CARE BBB- (Triple B Minus)	Assigned
Long term/ Short-term Bank Facilities	80.00	CARE BBB-/CARE A3 (Triple B Minus/ A Three)	Assigned
Short term Bank Facilities	55.97 [Enhanced from Rs.20.45 crore]	CARE A3 (A Three)	Assigned
Total Facilities	296.17 (Rupees Two Hundred Ninety Six Crore and Seventeen Lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Maharaja Shree Umaid Mills Limited (MSUML) continue to derive strength from the experience of the promoter group in the textile industry along with their financial resourcefulness and support extended to MSUML. The ratings also take into account its established track record with integrated nature of operations, wide range of product portfolio with strong presence in the poplin fabric segment, diversified client base and improvement in operating and financial performance in 9MFY16 (refers to the period April 01 to December 31).

The ratings, however, remain constrained due to fluctuating scale of operations, cash losses in FY15 (refers to the period April 01 to March 31), leveraged capital structure owing to large predominantly debt-funded capex undertaken in the recent past, weak debt coverage indicators, working capital intensive nature of operations due to high inventory as well as inherent cyclicity associated with the textile industry with the impact of government policies and climatic conditions which results in volatility in raw material prices.

Continuous financial support from the group as well as MSUML's ability to increase its scale of operations along with improvement in profitability margins by optimum utilisation of the capacity at the expanded unit and efficient working capital management would be the key rating sensitivities.

Background

MSUML was incorporated in 1939 as a private limited company by Late Mr Mugneeram Bangur and was subsequently converted into a public limited company in 1952. MSUML is the flagship company of L N Bangur (LNB) group and is engaged in manufacturing of cotton/synthetic yarn and fabrics at its manufacturing facility located at Pali, Rajasthan.

MSUML manufactures cotton, polyester, viscose yarns and blended yarns with cotton yarns being the main product. Under the fabric segment, the company manufactures dyed cotton fabric (poplin), suiting and shirting fabrics. The poplin produced by the company is used for making petticoat for sarees. As on March 31, 2015, MSUML has an installed capacity of 1,09,344 spindles and 2,256 rotors (68 metric tonnes per day [MTPD]) for yarn division and 566 looms (1,00,000 meters per day [MPD]) for fabric division along with its own processing house. The company has also installed wind mills in Rajasthan with total installed capacity of 17.45 MW as on March 31, 2015 out of which 2.10 MW is being utilized for

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

captive consumption and the company has signed power purchase agreement with Rajasthan based power utilities for the remaining 15.35 MW.

MSUML had filed a demerger scheme on August 14, 2012 for demerging the textile cum wind power division and investment division into separate entities. The demerger scheme was subsequently approved by High Court of Calcutta on September 24, 2013, whereby the de-merger of investment division of MSUML into Kiran Vyapar Ltd (KVL) became effective from April 01, 2012.

As per the Audited results for FY15, MSUML reported a total operating income (TOI) of Rs.487.04 crore (FY14: Rs.481.12 crore) and net loss of Rs.34.19 crore (FY14: PAT of Rs.19.70 crore). Furthermore, as per provisional results for 9MFY16, the company has reported TOI of Rs.351.35 crore with PBILDT of Rs.23.91 crore and net loss of Rs.9.73 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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