

NOVEMBER 16, 2016

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
MAHARAJA SHREE UMAID MILLS LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	125.52	CARE BB (Double B)	Revised from CARE BBB- (Triple B Minus)
Long-term/Short-term Bank Facilities	80	CARE BB / CARE A4 (Double B / A Four)	Revised from CARE BBB- / CARE A3 (Triple B Minus/A Three)
Short-term Bank Facilities	55.97	CARE A4 (A Four)	Revised from CARE A3 (A Three)
Total Facilities	261.49 (Rupees Two Hundred Sixty One crore and Forty Nine lakh only)		

Rating Rationale

The revision in the ratings of Maharaja Shree Umaid Mills Limited (MSUML) mainly takes into account deterioration in financial risk profile marked by continuing cash losses in FY16 and Q1FY17 (refers to the period April 01 to March 31) along with deterioration in capital structure, debt coverage indicators as well as liquidity position of the company. The ratings continue to remain constrained on account of working capital intensive nature of operations due to high inventory as well as inherent cyclicity associated with the textile industry with impact of government policies and climatic conditions which results in volatility in raw material prices.

The ratings, however, 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 and diversified client base.

Continuous financial support from the promoter group as well as MSUML's ability to increase its scale of operations along with improvement in profitability margins by optimum utilisation of the capacities 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 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 fabric segment, the company manufactures dyed cotton fabric (poplin) as well as suiting and shirting fabrics. The poplin produced by the company is used for making petticoat for sarees. As on March 31, 2016, MSUML has installed capacity of 109,344 spindles and 2,256 rotors (68 metric tonnes per day [MTPD]) for yarn division and 268 looms (105,000 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, 2016 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 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.

During FY16, MSUML has reported a total operating income of Rs.481.04 crore (FY15: Rs.487.43 crore) with net loss of Rs.34.87 crore (FY15: net loss of Rs.34.19 crore). Furthermore, as per the unaudited results for Q1FY17, MSUML reported TOI of Rs.103.32 crore with net loss of Rs.16.81 crore.

Analyst Contact

Name: Mr Harsh Raj Sankhla

Tel: 0141-4020213/214

Cell: 9413969100

Email: harshraj.sankhla@careratings.com

****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.

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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