

February 25, 2011

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF  
MAHARAJA SHREE UMAID MILLS LTD.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	139.03	'CARE BBB' (Triple B)	Revised from 'CARE BBB-' [Triple B minus]
Short-term Bank Facilities	5.47	'PR3+' (PR Three Plus)	Revised from 'PR 3' [PR Three]
<b>Total Facilities</b>	<b>144.50</b>		

**Rating Rationale**

The revision in ratings primarily takes in account improvement in the overall financial risk profile of Maharaja Shree Umaid Mills Ltd. (MSUML) marked by growth in total operating income, improving profitability and long-term power purchase agreement with a power distribution company. The ratings continue to factor in MSUML's long operating track record, wide experience of promoters in the textile industry and stable liquidity position. The ratings, however, continue to remain constrained due to its presence in the cyclical textile industry, modest scale of operations with a moderately high overall gearing and risk related to stabilization of operations of its ongoing debt-funded expansion-cum-modernization and forward integration projects. Timely implementation of the on-going project and improvement in the overall financial profile are the key rating sensitivities. The company proposes to venture into real estate development and take advantage of its low-cost land bank; however, there is a lack of clarity on the implementation strategy and its impact on the financial risk profile of MSUML, which remains to be seen.

**Company Profile**

MSUML was originally promoted by Late Shri Magniram Bangur in 1939 as a private limited company in the state of Rajasthan under the name "Maharaja Shree Umaid Mills Private Limited". Later on, the company was converted into a public limited company in 1952. Presently, MSUML is part of the L N Bangur family, which also holds a controlling stake in Andhra Pradesh Paper Mills Limited.

MSUML is mainly engaged in the manufacturing of cotton/synthetic yarn (80% of the total income in FY10) and fabrics (20%) at its manufacturing facility located in Pali, Rajasthan. MSUML manufactures spun yarn (combed and carded) mainly of medium to courser counts.

During FY10, the company had installed 1,09,344 looms and 2,256 rotors at its manufacturing site. The company had an installed capacity of 22,300 kilograms per annum of yarn manufacturing and 22,955 meters per annum of fabric spinning.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

During 2009-10 (Audited), the company reported net sales of Rs.319.53 crore (FY09: Rs.296.94 crore) with PAT of Rs.14.56 crore (FY09: Rs.6.59 crore). MSUML had an overall gearing of 1.31 times as on March 31, 2010.

During the first three months ended June 30, 2010 in financial year FY11, MSUML reported a PAT of Rs.3.87 crore on a total income of Rs.86.23 crore.

**Analyst Contact**

Name: Mitul Budhbhatti

Tel # (079) 40265609

Mobile # +91-97250 40966

Email: Mitul.budhbhatti@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director  
Cell : +91-98204 16002  
E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director  
Cell : +91-98204 16001  
E-mail: rajesh.mokashi@careratings.com

**Mr. P N Sathees Kumar**

Executive Vice President – Marketing  
Mobile: +91-9820416004  
mail:[sathees.kumar@careratings.com](mailto:sathees.kumar@careratings.com)

**Mr. Ankur Sachdeva**

Vice President – Marketing (SME)  
Mobile: +91-9819698985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Mr. Vivek Palan**

Manager – Banking & Finance  
Mobile: +91-98206 06406  
E-mail:[vivek.palan@careratings.com](mailto:vivek.palan@careratings.com)

4- Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: [www.careratings.com](http://www.careratings.com)

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: <a href="mailto:mehul.pandya@careratings.com">mehul.pandya@careratings.com</a></p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: <a href="mailto:sundara.vathanan@careratings.com">sundara.vathanan@careratings.com</a></p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :<a href="mailto:Pradeep.kumar@careratings.com">Pradeep.kumar@careratings.com</a></p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91600 74789 E-mail: <a href="mailto:ashwini.jani@careratings.com">ashwini.jani@careratings.com</a></p>
<p>Mr. Sukanta Nag Regional Manager 3- Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: <a href="mailto:sukanta.nag@careratings.com">sukanta.nag@careratings.com</a></p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :<a href="mailto:swati.agrawal@careratings.com">swati.agrawal@careratings.com</a></p>