

MARCH 21, 2016

## CARE REVISES/REAFFIRMS THE RATINGS ASSIGNS TO THE BANK FACILITIES OF MG TEX FAB PRIVATE LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	6.82 (reduced from 8.23)	<b>CARE BB- (Double B Minus)</b>	Revised from CARE B+ (Single B Plus)
Short term Bank Facilities	0.16	<b>CARE A4 (A Four)</b>	Reaffirmed
<b>Total Facilities</b>	<b>6.98</b> <b>(Rupees Six Crore and Ninety Eight Lakh only)</b>		

**Rating Rationale**

The revision in the long-term rating assigned to the bank facilities of MG Tex Fab Private Limited (MTFPL) was primarily on account of increase in scale of operations during FY15 (refers to the period April 1 to March 31) along with improvement in profitability, capital structure and debt coverage indicators.

The ratings, however, continue to remain constrained on account of its moderate profit margins, leveraged capital structure and moderate liquidity position. The ratings also remain constrained due to its presence in highly fragmented industry and susceptibility of profit margins to volatility in the prices of raw materials.

The ratings also continue to derive strength from experienced promoters and strategic location with easy access to raw material and labour requirement.

MTFPL's ability to increase its scale of operations and profitability with improvement in its capital structure while efficiently managing its operating cycle amidst the high competition in the segment are the key rating sensitivities.

**Background**

Incorporated in 2007, MTFPL is engaged in the manufacturing of grey fabrics (viz, French crepe, velvet, raw silk and metty pc) from cotton and polyester yarn. MTFPL operates from its sole manufacturing facilities located at Surat (Gujarat) with total 92 waterjet looms with an installed capacity of 120 lakh meters per annum as on March 31, 2015. Although MTFPL was incorporated in 2007, the production commenced from October 2011. The key raw material, ie, cotton and polyester yarn is sourced entirely from domestic market (mainly Surat) and the revenues are also entirely earned from the domestic market (mainly from Gujarat, Rajasthan and Maharashtra).

MTFPL reported a total operating income (TOI) of Rs.27.11 crore and PAT of Rs.0.54 crore during FY15 as against TOI of Rs.22 crore and PAT of Rs.0.51 crore during FY14. As per the provisional results for 10MFY16, MTFPL has registered TOI of Rs.18.12 crore.

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



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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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