

April 07, 2014

**CARE REVISES/ REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
MG TEX FAB PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term Bank Facilities	9.63 (enhanced from 7.75)	CARE B+ (Single B Plus)	Revised from CARE B (Single B)
Short-term Bank Facilities	0.16 (enhanced from 0.10)	CARE A4 (A Four)	Reaffirmed
Total Facilities	9.79		

Rating Rationale

The revision in the long-term rating assigned to the bank facilities of MG Tex Fab Private Limited (MTF) is primarily driven by an increase in turnover owing to stabilization of its manufacturing facilities as well as increase in the installed capacity during 11MFY14. However, the ratings continue to remain constrained on account of its small scale of operations in the highly fragmented industry, susceptibility of profit margins to volatility in the raw material price and financial risk profile marked by leveraged capital structure and weak debt coverage indicators.

The ratings, however, continue to derive comfort from the experience of the promoters in the textile industry and its presence in Surat (Gujarat) which is one of the largest textile hubs of India.

The ability of MTF to increase its scale of operations along with improvement in profit margins, capital structure and better working capital management in light of competitive nature of industry are the key rating sensitivities.

Background

Incorporated in 2007, MTF is engaged in the manufacturing of grey fabrics (viz French crepe, velvet, raw silk and metty pc) from yarn. The company has undertaken a phase-wise project to manufacture grey fabric in early FY12 (refers to the period April 1 to March 31). The project has been set-up at Surat, with 66 imported high powered machines (water jet looms) having an installed capacity of 84.32 lakh meters per annum as on March 31, 2013. Although, MTF was incorporated in 2007, the production commenced from October 2011, when a phase of the project was completed. The entire project was completed in the month of December 2012. The key raw material i.e. 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 & Maharashtra).

As per the audited results for FY13, MTF reported net loss of Rs.0.25 crore on a total operating income (TOI) of Rs.9.36 crore.

As per 11MFY14 provisional financials, MTF reported TOI of Rs.19.60 crore.

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

Brief Rationale

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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