

December 12, 2013

**CARE ASSIGNS 'CARE B' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF  
MG TEX FAB PRIVATE LIMITED**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	7.74	CARE B (Single B)	Assigned
Short-term Bank Facilities	0.10	CARE A4 (A Four)	Assigned
<b>Total Facilities</b>	<b>7.84</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of MG Tex Fab Private Limited (MTF) is primarily constrained on account its nascent stage of operations, weak financial risk profile marked by net loss during FY13 (refers to the period April 1 to March 31), leveraged capital structure as well as weak debt coverage indicators. Furthermore, the ratings are also constrained on account of susceptibility of profit margins to volatility in the prices of raw material and its presence in the highly fragmented industry leading to stiff competition in the industry.

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

Improvement in the overall financial risk profile through increase in the scale of operations along with improvement in profit margins and capital structure 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. The overall cost of the project was Rs.7.63 crore, funded by debt of Rs.5.97 crore and promoter's contribution of Rs.1.66 crore. The project has been set-up at Surat, with 66 imported high powered machines (looms) having an installed capacity of 84.32 lakh meters per annum. 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).

During FY13, MTF reported a net loss of Rs.0.25 crore on a TOI of Rs.9.36 crore.

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

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