

MG Tex Fab Private Limited

March 15, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.42	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	0.16	CARE A4 (A Four)	Reaffirmed
Total Facilities	5.58 (Rupees Five crore and Fifty Eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of MG Tex Fab Private Limited (MTFPL) continue to remain constrained on account of financial risk profile of MTFPL marked by its decline in scale of operations, leveraged capital structure and modest debt coverage indicators and moderate liquidity position during FY16 (refers to the period April 1 to March 31). The ratings further remained constrained by susceptibility of profit margins to volatility in prices of raw material. The ratings, however, take into account experienced promoters, strategic location with easy access to raw material and labour. The ratings also factor Improvement in operating profitability in FY16. 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.

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in turnover: During FY16, TOI of MTFPL declined to Rs.23.23 crore from Rs.27.11 crore during FY15 on account of decline in sales realization. GCA decreased by 6.52% as compared with FY15 and remained at Rs.1.29 crore during FY16.

Leveraged capital structure: As on March 31, 2016, the capital structure of MTFPL improved over the previous year marked by an overall gearing ratio of 2.27 times as against 3.85 times as on March 31, 2015, however, it continued to remain leveraged despite improvement. Improvement in the capital structure was primarily on account accretion of profits to net worth.

Moderate Debt coverage indicators: As on March 31, 2016, total debt to GCA stood modest at 6.00 times as against 7.61 times as on March 31, 2015. However, during FY16, interest coverage ratio remained comfortable but marginally deteriorated to 2.30 times from 2.67 times during FY15 on account of higher financial charges as compared with previous year.

Moderate liquidity position: As on March 31, 2016, current ratio of MTFPL declined over the previous year, and remained weak at 0.86 times (1.15 times as on March 31, 2015), primarily on account of decrease in receivables. During FY16, working capital cycle of MTFPL elongated and remained moderate at 64 days as against 51 days during FY15 mainly due to increase in collection period from 64 days during FY15 to 72 days in FY16.

Key Rating Strengths

Improvement in operating profitability: During FY16, PBILDT margin of MTFPL improved marginally over the previous year and remained moderately healthy at 10.52% (8.75% during FY15). MTFPL able to command better profitability owing

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

to its product mix of grey fabric which is of high quality and is manufactured from mix of cotton and polyester yarn as per customers requirement.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the Company

Incorporated in 2007, MG Tex Fab Private Limited (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, 2016. Although MTFPL was incorporated in 2007, the production commenced from October 2011. 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 and Maharashtra). As per the audited results for FY16, MTFPL reported a PAT of Rs.0.37 crore on a total operating income of Rs.23.23 crore as against a PAT of Rs.0.54 crore on a total operating income of Rs.27.11 crore in FY15. Till February 28, 2017, MTFPL reported total operating income of Rs.20.99 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	January 31, 2018	1.20	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE BB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	0.16	CARE A4
Fund-based - LT-Term Loan	-	-	June 30, 2020	1.22	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	1.20	CARE BB-; Stable	-	1)CARE BB- (21-Mar-16)	1)CARE B+ (09-Mar-15) 2)CARE B+ (07-Apr-14)	1)CARE B (12-Dec-13)
2.	Fund-based - LT-Cash Credit	LT	3.00	CARE BB-; Stable	-	1)CARE BB- (21-Mar-16)	1)CARE B+ (09-Mar-15) 2)CARE B+ (07-Apr-14)	1)CARE B (12-Dec-13)
3.	Non-fund-based - ST-BG/LC	ST	0.16	CARE A4	-	1)CARE A4 (21-Mar-16)	1)CARE A4 (09-Mar-15) 2)CARE A4 (07-Apr-14)	1)CARE A4 (12-Dec-13)
4.	Fund-based - LT-Term Loan	LT	1.22	CARE BB-; Stable	-	1)CARE BB- (21-Mar-16)	1)CARE B+ (09-Mar-15) 2)CARE B+ (07-Apr-14)	-

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