MG Tex Fab Private Limited

May 20, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	4.57	**CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*) Based on best available information
Short term Bank Facilities	0.16	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total Facilities	**4.73 (Rupees Four crore and Seventy Three lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 20, 2019, placed the rating of MG Tex Fab Private Limited (MTFPL) under the 'issuer non-cooperating' category as MTFPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. MTFPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 21, 2020, April 23, 2020 and April 27, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of requisite information. The ratings take into account its financial risk profile marked by its modest scale of operations, deteriorated profit margins, moderate debt coverage indictors and stretched liquidity position in FY19 (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 capital structure in FY19.

Detailed description of the key rating drivers

At the time of last rating on February 20, 2019 the following were the rating strengths and weaknesses (updated for the Information available from Registrar of Companies)

Key Rating Weaknesses

Moderate scale of operations along with deterioration in profit marings

During FY19, Total Operating Income (TOI) improved by 18.04 % as compared to FY18 and stood at Rs.20.66 crore as against Rs.17.50 crore during FY18. During FY19, the Profit margins marked by PBILDT margin have deteriorated by 511 bps and stood at 9.02% as against 14.13% during FY18 on account of increase in procurement cost of raw materials. Consequently PAT margin has also dipped by 185 bps and stood at 2.61% during FY18 as against 4.46% in FY18.

Moderate debt coverage indicators

Further, the debt coverage indicators of MTFPL have continued to remain moderate marked by total debt/GCA of 4.14 times as on March 31, 2019 as against 3.86 times as on March 31, 2018. Further, Interest coverage ratio deteriorated, but continued to remain comfortable at 3.38x during FY19 as against 4.10x during FY18 owing to decrease in PBILDT.

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

**Issuer did not cooperate; Based on best available information*

Presence in highly fragmented industry and susceptibility of operating margins to volatility in price of raw material
MTFPL is engaged into weaving process which is highly fragmented in nature with presence of large organized players as well as large number of small unorganized players in the industry which lead to high level of competition from both the organized and largely unorganized sector. Furthermore, the key raw materials required for manufacturing of grey fabrics are cotton and polyester yarn, prices of which are volatile in nature and any adverse fluctuation in the prices of raw material may impact the operating margin of MTFPL.

Key Rating Strengths
Experienced promoters
The company was promoted by MrSubhashPatodia and MrShreshthPatodiaboth having an experience of more than two and half decades in the textile industry.

Strategic location with easy access to raw material and labor
MTFPL's manufacturing facility is located at Surat which is one of the largest textile hubs of India. The key raw materials are easily available from the local market; thereby the company enjoys proximity to raw material resulting in lower transportation cost and relatively easy availability.

Improvement in capital structure
As on March 31, 2019, overall gearing ratio improved and stood comfortable at 0.94x as against 1.41x as on March 31, 2018 on account of decrease in total debt against increase in tangible net worth.

Liquidity: Stretched
Liquidity position of MTFPL remained stretched. Unencumbered cash and bank balance with the company remained low at Rs.0.03 crore. Further during FY19, the working capital cycle of MTFPL has elongated to 77 days from 63 days during FY18 mainly on account of increase in collection period along with decrease in creditors period. As a result, current ratio of MTFPL has increased to 2.85x as on March 31,2019 as against 1.29x as on March 31, 2018 on account of increase in receivables coupled with decrease in creditors as well as lower working capital borrowings as on balance sheet date.

Analytical approach: Standalone

Applicable Criteria
[Policy in respect of Non-cooperation by issuer]
[CARE's Policy on Default Recognition]
[Criteria on assigning Outlook and Credit Watch to Credit Ratings]
[Rating Methodology-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 and operates with an installed capacity of 120 lakh meters per annum as on March 31, 2017. Although, MTFPL was incorporated in 2007, the production commenced from October 2011.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	17.50	20.66
PBILDT	2.47	1.86
PAT	0.78	0.54
Overall gearing (times)	1.41	0.94
Interest coverage (times)	4.10	3.38

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	-	-	-	0.59	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	0.16	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	-	0.98	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.59	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-19)	1)CARE BB-; Stable (06-Dec-17)
2.	Fund-based - LT-Cash Credit	LT	3.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-19)	1)CARE BB-; Stable (06-Dec-17)
3.	Non-fund-based - ST-BG/LC	ST	0.16	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (20-Feb-19)	1)CARE A4 (06-Dec-17)
4.	Fund-based - LT-Term Loan	LT	0.98	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-19)	1)CARE BB-; Stable (06-Dec-17)

*Issuer did not cooperate; Based on best available information

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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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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