

Maharaja Shree Umaid Mills Limited

November 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	90.05	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	70	CARE BB; Stable / CARE A4 (Double B; Outlook: Stable / A Four)	Reaffirmed
Short-term Bank Facilities	35.97	CARE A4 (A Four)	Reaffirmed
Total Facilities	196.02 Rupees One Hundred Ninety Six crore and Two lakh only)		

Rating Rationale

The ratings assigned to bank facilities of Maharaja Shree Umaid Mills Limited (MSUML) continue to factor in its financial profile marked by operational as well as cash losses incurred during FY17 (refers to the period April 01 to March 31) as well as leveraged capital structure and weak debt coverage indicators. The rating further remains constrained on account of working capital intensive nature of operations as well as inherent cyclicity associated with the textile industry with impact of government policies and climatic conditions which results in volatility in raw material prices.

The ratings, however, derive strength from the experience of the promoter group in the textile industry along with their financial resourcefulness and their continued financial support by way of infusion of funds in the form of equity share capital as well as unsecured loans in order to support the operations as well as timely debt servicing of MSUML. The ratings also take into account its established track record with integrated nature of operations, wide range of product portfolio with strong presence in the poplin fabric segment and diversified client base. The ratings also take into account improvement in financial performance during H1FY18 on y-o-y basis.

Continuous financial support from the promoter group as well as MSUML's ability to increase its scale of operations along with improvement in profitability margins by optimum utilisation of the capacities and efficient working capital management would be the key rating sensitivities.

Detailed description of the key rating drivers

Key rating weaknesses

Decline in scale of operation in FY17 along with operational as well as cash losses

MSUML's TOI declined by around 7% on y-o-y basis to Rs.448.80 crore in FY17 due to decline in sales quantity of yarn as well as fabric. However, due to higher raw material cost along with operational inefficiencies being faced by the company in expanded facilities, the company reported operational losses and cash losses during FY17. However, as per un-audited results for H1FY18, the company reported TOI of Rs.234.09 crore with PBILDT of Rs.7.91 crore, though the company continued to report cash losses.

The company had undertaken several steps during FY17 including shutting down of non-performing wider width processing division as well as migration to 132 KV power transmission line and focusing on its key strength i.e. cotton yarn products and small width dyed fabrics and wider width grey fabrics. These steps along with other initiatives are likely to improve its operating efficiency going forward.

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

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company stood leveraged despite infusion of equity share capital and share premium during FY17 due to deterioration of net-worth on account of net loss incurred during the year and infusion of unsecured loans (ICDs) by the promoter group. Debt coverage indicators continued to remain weak. Owing to operating as well as cash losses, PBILDT interest coverage and total debt to GCA stood negative as on March 31, 2017.

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by higher inventory holding. Although, the operating cycle declined from 94 days in FY16 to 83 days in FY17, the total inventory holding increased as on March 31, 2017 vis-à-vis last year. The average utilization of cash credit limit stood around 78% for the past 12 months ended August 2017.

Inherent cyclical nature associated with the textile industry with impact of government policies and climatic conditions which results in volatility in raw material prices

Prices of cotton have historically been very volatile since it is a globally traded commodity and prices are determined by global demand-supply situation. Textile is a cyclical industry and closely follows the macroeconomic business cycles. High competitive intensity in the textile industry, volatility in cotton prices and capacity additions by large players are the major cause of concern for the Indian textile industry.

Key Rating Strengths***Experienced promoter group in textile industry with financial resourcefulness***

Mr L N Bangur, present Chairman & Managing Director of MSUML, is associated with the company since 1988 and has experience of more than two decades in running textile mill through his association with the company. The promoter group is professionally qualified and have a long standing track record in the textile industry. The promoter group is financially resourceful and has demonstrated regular support for ensuring timely debt servicing of MSUML as indicated by regular fund infusion. The promoter group infused equity share capital (including share premium) of Rs.51.84 crore in FY17 to support the operations of the company.

Established track record of operations and wide range of product portfolio with strong presence in poplin fabric segment

MSUML is one of the oldest composite textile mills in northern India having more than seven decades of track record with an established presence in domestic market. The company manufactures carded, compact, combed hosiery and weaving yarns, bleached sewing thread and knitted yarns in cotton, grey polyester viscose blended and viscose yarns. Further, the company utilises its own manufactured yarn as well as sources from outside to manufacture grey and dyed fabrics.

Analytical Approach: Consolidated**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Policy on Withdrawal of ratings](#)

[Factoring Linkages](#)

About the Company

MSUML is the flagship company of L N Bangur (LNB) group and is engaged in manufacturing of cotton/synthetic yarn and fabrics at its manufacturing facility located at Pali, Rajasthan. MSUML manufactures cotton, polyester, viscose yarns and blended yarns with cotton yarns being the main product. Under fabric segment, the company manufactures dyed cotton fabric (poplin) and grey fabric. As on March 31, 2017, MSUML has installed capacity of 1,09,344 spindles and 2,256 rotors (65 metric tonnes per day [MTPD]) for yarn division and 356 looms (1,31,107 meters per day [MPD]) for fabric division along with its own processing house. However, the company has shut down its processing unit temporarily for the time being due to operational bottlenecks. The company has also installed wind mills in Rajasthan with total installed capacity of 17.45 MW as on March 31, 2017 out of which 2.10 MW is being utilized for captive consumption and the company has signed power purchase agreement with Rajasthan based power utilities for remaining 15.35 MW.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	481.36	448.80
PBILDT	13.72	-13.01
PAT	-34.87	-50.82
Overall gearing (times)	5.22	5.21
Interest coverage (times)	0.41	-0.33

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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

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.

Analyst Contact

Name: Harsh Raj Sankhla

Tel # 0141-4020213/214

Cell: 9413969100

Email: harshraj.sankhla@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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	-	-	Mar-20	90.05	CARE BB; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	30.00	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	5.97	CARE A4
Fund-based - LT/ ST-Cash Credit	-	-	-	70.00	CARE BB; Stable / CARE A4
Fund-based - ST-Working Capital Demand loan	-	-	-	15.00	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	90.05	CARE BB; Stable	-	1)CARE BB (16-Nov-16) 2)CARE BBB-(19-May-16)	-	-
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	30.00	CARE A4	-	1)CARE A4 (16-Nov-16) 2)CARE A3 (19-May-16)	-	-
3.	Non-fund-based - ST-BG/LC	ST	5.97	CARE A4	-	1)CARE A4 (16-Nov-16) 2)CARE A3 (19-May-16)	-	-
4.	Fund-based - LT/ ST-Cash Credit	LT/ST	70.00	CARE BB; Stable / CARE A4	-	1)CARE BB / CARE A4 (16-Nov-16) 2)CARE BBB- / CARE A3 (19-May-16)	-	-
5.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)CARE A4 (16-Nov-16) 2)CARE A3 (19-May-16)	-	-

CONTACT**Head Office Mumbai****Ms. MeenalSikchi**

Cell: + 9198190 09839

E-mail: meenal.sikchi@careratings.com**Ms.RashmiNarvankar**

Cell: + 9199675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. AnkurSachdeva**

Cell: + 9198196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. AnandJha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr.Pratim Banerjee**9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691