



SMERA RATINGS LIMITED

**M. K. Cotex
(MKC)****Rating
Rationale****September 08, 2015**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned rating of **'SMERA BB-' (read as SMERA double B minus)** to the Rs.6.00 crore bank facility of M. K. Cotex (MKC). The outlook is **'Stable'**. The rating has been arrived after consolidating the business and financial risk profiles of M.K. Cotex (MKC) and TDB Spinners Private Limited (TSPL) together referred to as the TDB Group. The consolidation is due to the common management and operational linkages within the group.

The rating is constrained by the group's weak profitability in a highly competitive and fragmented textile industry and exposure of the firm to raw material price volatility. However, the rating draws comfort from the group's experienced management and moderate financial risk profile.

Outlook: Stable

SMERA believes that the TDB Group will continue to benefit over the medium term on account of its experienced management in the textile industry. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues and significant improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the group's financial risk profile on account of large debt-funded capex plans.

Rating Sensitivity Factors

- Higher-than expected growth in revenue along with significant improvement in profitability
- Debt funded capex plans

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**About the Firm**

MKC, established in 2009, is an Indore-based proprietorship firm engaged in the ginning and pressing of cotton. The firm is promoted by Mr. Mahendra Gupta, who possesses around two decades of experience in the textile industry. MKC reported net profit of Rs.0.22 crore (provisional) on operating income of Rs.22.45 for FY2014-15 as compared to net profit of Rs.0.23 crore on operating income of Rs.33.45 crore for FY2013-14. MKC's net worth stood at Rs.1.85 crore (provisional) as on March 31, 2015 as compared with Rs.1.86 crore as on March 31, 2014.

About the TDB Group

The TDB Group reported net profit of Rs.0.96 crore (provisional) on operating income of Rs.205.90 crore for FY2014-15 as compared to net profit of Rs.0.39 crore on operating income of Rs. 249.85 crore for FY2013-14. The group's net worth stood at Rs.13.51 crore (provisional) as on March 31, 2015 as compared with Rs.12.06 crore as on March 31, 2014.

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