

September 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	8.78	SMERA BB/Stable (Assigned)
Cash Credit*	15.50	SMERA BB/Stable (Assigned)
Letter of Credit	0.30	SMERA A4+ (Assigned)
Bank Guarantee	0.60	SMERA A4+ (Assigned)

* EPC/FBP/FBN up to 90 days of Rs.2.00 crore - sub limit within cash credit.

SMERA has assigned a long-term rating of **'SMERA BB' (read as SMERA double B)** and a short-term rating of **'SMERA A4+' (read as SMERA A four plus)** to the Rs.25.18 crore bank facilities of Minaxi Textiles Limited (MTL). The outlook is **'Stable'**. The ratings draw comfort from the promoter's extensive industry experience and healthy relations with customers and suppliers. However, the ratings are constrained by the working capital intensive operations and susceptibility of the operating margins to volatility in raw material prices.

Rating Sensitivity Factors

- Substantial and sustainable growth in the topline or operating margins
- Working capital management
- Future capital expenditure plans and its funding mix thereof
- Timely gain of fiscal benefits i.e. interest subsidy and VAT concession

Outlook: Stable

SMERA believes that MTL will continue to benefit over the medium term from its promoters extensive industry experience. The rating outlook may be revised to 'Positive' in case of substantial and sustainable growth in the topline/operating margins or if the company efficiently manages its working capital requirements. Conversely, the rating outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its business/financial risk profile especially liquidity.

About the Company

Incorporated in 1995, MTL promoted by Mr Patel and family is engaged in the manufacturing of grey cloth used in suiting and shirting. The company reported profit after tax (PAT) of Rs. 1.52 crore on operating income of Rs.54.53 crore for FY2014-15, as compared with PAT of Rs.1.02 crore on operating income of Rs.52.72 crore in the previous year. MTL's net worth stood at Rs.11.47 crore as on March 31, 2015, as against Rs.10.02 crore a year earlier.

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