

Press Release

Minaxi Textiles Limited (MTL)

April 24, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.25.18 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Minaxi Textiles Limited (MTL). The outlook is '**Stable**'.

Incorporated in 1995, MTL promoted by Mr. Bharat Patel and family is engaged in the manufacturing of grey cloth used in suiting and shirting.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: The promoters have more than two decades of experience in the textile industry.

Moderate financial risk profile: The financial risk profile has remained comfortable with net worth of Rs. 13.01 cr as on March 31, 2016 as against Rs. 11.47 cr as on March 31, 2015. The gearing (debt-to-equity ratio) stood at 1.97 times as on March 31, 2016 as compared to 2.57 times as on March 31, 2015. The interest coverage ratio stood at 2.50 while debt service coverage ratio stood moderate at 1.15 times as on March 31, 2016.

Weaknesses:

Working capital intensive operations: MTL's operations are working capital intensive as reflected in the gross current asset (GCA) days of 203 days for FY2016 and 235 days for FY2015. The high GCA emanates from the high inventory days of 90 and debtor days of 96 for FY2016. Also, the average utilisation of bank limits stood high at ~93.05 per cent for the past six months ending November, 2016.

Intense competition: The company faces intense competition from large organised and unorganised players in Gujarat and nearby areas which is likely to have an impact on its operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of MTL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that MTL will continue to maintain a stable outlook over the medium term owing to its promoters' extensive industry experience. The rating outlook may be revised to 'Positive' in case of substantial and sustainable growth in 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 Rated Entity

Incorporated in 1995, MTL, promoted by Mr. Bharat Patel and family is engaged in the manufacturing of grey cloth used in suiting and shirting.

MTL reported profit after tax (PAT) of Rs. 1.54 cr on operating income of Rs.54.23 cr for FY2015-16, as compared with PAT of Rs.1.52 cr on operating income of Rs.54.53 cr in the previous year. The tangible networth stood at Rs. 13.01 cr as on March 31, 2016 as against Rs. 11.47 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	8.78	SMERA BB/Stable (Reaffirmed)	-	-	28 Sep, 15	SMERA BB/Stable (Assigned)	-	-
Cash Credit*	LT	15.50	SMERA BB/Stable (Reaffirmed)	-	-	28 Sep, 15	SMERA BB/Stable (Assigned)	-	-
Letter of Credit	ST	0.30	SMERA A4+ (Reaffirmed)	-	-	28 Sep, 15	SMERA A4+ (Assigned)	-	-
Bank Guarantee	ST	0.60	SMERA A4+ (Reaffirmed)	-	-	28 Sep, 15	SMERA A4+ (Assigned)	-	-

*Export Packing Credit/Foreign Bill Purchases/Foreign Bill Discounting up to 90 days of Rs.2.00 crore - sub limit within cash credit.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	July 2019	8.78	SMERA BB/Stable (Reaffirmed)
Cash Credit^	N.A	N.A	N.A	15.50	SMERA BB/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	0.30	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	0.60	SMERA A4+ (Reaffirmed)

^Export Packing Credit/Foreign Bill Purchases/Foreign Bill Discounting up to 90 days of Rs.2.00 crore - sub limit within cash credit.

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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