

Press Release

Sri Mahavir Crimpers

March 30, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 9.50 crore bank facilities of Sri Mahavir Crimpers. The outlook is '**Stable**'.

Sri Mahavir Crimpers (SMC), established in 1987, was promoted by Mr. Kailashchand Mundra and Mr. Mahavir Prasad Mundhra. The firm is engaged in the business of polyster texturised yarn at Surat.

Key Rating Drivers

Strengths

- **Experienced management**

SMC benefits from its experienced management. Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra, Directors have more than two decades of experience in the textile industry.

- **Moderate financial risk profile**

The gearing level (debt-to-equity ratio) stood at 1.49 times as on 31 March, 2016 as compared to 1.92 times in the previous year. The net worth stood at Rs.11.77 cr in FY2015-16 as against Rs.11.42 cr in FY2014-15. The Interest coverage ratio was 1.86 times in FY2015-16 as compared to 1.85 times for FY2014-15. The Debt Service coverage ratio stood at 1.86 times for FY2015-16 as compared to 1.85 times for FY2014-15.

Weaknesses

- **Decline in revenues**

The group reported decline in revenue to Rs.97.46 cr in FY2015-16 from Rs.122.62 cr in FY2014-15 due to low demand from end users. The group booked revenue of around Rs. 66 cr from April 2016 to December 2016.

- **Susceptibility of profitability to volatility in raw material prices**

The main raw material is partially oriented yarn (POY), the prices of which are linked to crude oil prices, thus exposing the group's profitability to volatility in raw material prices.

- **Competitive and fragmented industry**

The firm operates in a highly competitive and fragmented textile industry with several organised and unorganised players limiting the bargaining power.

Analytical Approach

To arrive at the rating, SMERA has consolidated the business and financial risk profile of Sri Gita Texturisers and Sri Mahavir Crimpers. The consolidation is in view of the common ownership and operational linkages within the group.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook and continue to benefit over the medium term from the extensive experience of the management in the textile industry. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenue and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenue and profitability or deterioration in the financial risk profile.

About the Group

The group, promoted by Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra was established in 1987. The manufacturing unit is located at Surat.

About the Rated Entity - Key Financials

On consolidated basis, for FY2015-16, the group reported profit after tax (PAT) of Rs.0.90 cr on operating income of Rs.97.46 cr, as compared with PAT of Rs.1.42 cr on operating income of Rs.122.62 cr in FY2014-15. The net worth stood at Rs.11.77 cr as on 31 March, 2016 against Rs.11.42 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jan-2016	Cash Credit	Long Term	INR 8	SMERA BB- / Stable
	Term Loan	Long Term	INR 1.5	SMERA BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	1-Aug-2020	0.68	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	1-May-2021	0.82	SMERA BB- / Stable

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ABOUT SMERA

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