

## Press Release

### MUKESH FABTEX

20 November, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.5.40 crore
<b>Long Term Rating</b>	SMERA B/Outlook :Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B )** on the Rs.5.40 crore bank facility of MUKESH FABTEX. The outlook is '**Stable**'.

Mukesh Fabtex (MF), a proprietorship concern was established in 2001 by Mr. Mukeshkumar S. Jain, Proprietor. The Maharashtra-based firm is engaged in the manufacturing of grey fabric and has around 72 weaving machines. The total production capacity is around 90000 metres per annum. The firm outsources dyeing of cloth.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Proprietor, Mr. Mukeshkumar S. Jain has experience of over 25 years in the textile industry. Prior to the setting up of Mukesh Fabtex, Mr Jain was heading his group companies, Mukesh Textiles and M/S. M. Dineshkumar that are into textiles.

#### Weaknesses

- **Modest scale of operations amidst a highly fragmented and competitive textile industry**

The scale of operations is modest as evident from the revenue of Rs.18.05 crore in FY2017 (Provisional) and Rs.12.11 crore in FY2016. Moreover, Mukesh Fabtex operates in a highly fragmented industrial fabric industry with intense competition from the organised and unorganised sector impacting margins.

- **Below average financial risk profile**

The financial risk profile is below average marked by low net worth of Rs.2.58 crore as on 31 March, 2017 (Provisional) compared to Rs.1.18 crore in the previous year. The gearing stood high at 2.35 times as on 31 March, 2017 (Provisional) compared to 5.46 times in the previous year. The total debt of Rs.6.08 crore includes unsecured loans from directors, shareholders and relatives of Rs.3.12 crore, term loan of Rs.0.41 crore and short term borrowings of Rs.2.55 crore. The interest coverage ratio stood low at 1.42 times in FY2017 (Provisional).

- **Working capital intensive nature of operations**

The operations are working capital intensive with high GCA at 259 days in FY2017 mainly on account of high debtors of 145 days and inventory holding of 113 days in FY2017 (Provisional) .

- **Susceptibility of margins to volatile raw material prices**

The major raw material is cotton yarn, thus exposing the firm to fluctuations in raw material prices. The operating margins have registered a fluctuating trend (in the range of 5.63 per cent to 8.53 per cent) during FY2014 to FY2017 (Provisional).

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profile of MF.

### **Outlook: Stable**

SMERA believes that the outlook on MF's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues, profit margins and a comfortable capital structure. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in the capital structure or steep decline in revenues and profit margins.

### **About the Rated Entity - Key Financials**

For FY2016-17 (Provisional), MF reported net profit of Rs.0.18 crore on operating income of Rs.18.05 crore compared with net profit of Rs.0.13 crore on operating income of Rs.12.11 crore in the previous year. The net worth stood at Rs.2.58 crore as on 31 March, 2017 compared to Rs.1.18 crore in the previous year.

### **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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

### **Note on complexity levels of the rated instrument**

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

### **Rating History (Upto last three years)**

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B / Stable
Term loans*	Not Applicable	Not Applicable	Not Applicable	1.65	SMERA B / Stable

\* One time FLC at sight (CAPEX) (fresh) amounted to Rs.1.52 crore.

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### ABOUT SMERA

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