

Press Release

Mahesh Silk Mills Private Limited

July 16, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.72 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.9.72 crore bank facilities of Mahesh Silk Mills Private Limited (MSMPL). The outlook is '**Stable**'.

Mahesh Silk Mills Private Limited (MSMPL) based at Surat was incorporated in 1993. The company is engaged in the dyeing and printing of grey silk fabric. The finished product is used as silk sarees and dress material for ladies. MSMPL also undertakes processing of grey silk fabric on job work basis.

Key Rating Drivers

Strengths

- **Experienced management and established track record**

MSMPL is in business since 1993 and has established the market position for its products. The Promoters, Mr. Vishnukumar Harlalka and Mr. Nurulhaq Kapadiya have experience of over a decade in textile industry. Their experience has helped to build longstanding relations with client and suppliers.

Weaknesses

- **Average financial risk profile**

The company has average financial risk profile marked by net worth at Rs.3.41 crore as on 31 March, 2017. Net worth includes unsecured loans from Directors of Rs.1.06 crore as same are subordinated to bank debt. The gearing stood high at 2.39 times in FY2017 as against 3.81 times in FY2016. The Interest Coverage Ratio (ICR) stood at 2.77 times in FY2017 as against 2.42 times in FY2016. This is due to decline in profitability of the company. The Debt Service Coverage Ratio (DSCR) stood at 1.17 times in FY2017 as against 1.29 times in FY2016.

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

The margins are highly susceptible to changes in raw material prices, i.e. cotton yarn, chemicals and colors used for dyeing. The prices of these raw materials are influenced by the market forces.

- **Highly competitive and fragmented industry**

MSMPL operates in a highly competitive and fragmented industry of dyeing and textile with presence of several players in the market.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MSMPL to arrive at this rating.

Outlook: Stable

Acuité believes that MSMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins while sustaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.69	31.62	21.17
EBITDA	Rs. Cr.	1.43	1.50	1.22
PAT	Rs. Cr.	0.30	0.29	0.03
EBITDA Margin	(%)	3.69	4.73	5.76
PAT Margin	(%)	0.79	0.92	0.16
ROCE	(%)	8.44	10.99	19.31
Total Debt/Tangible Net Worth	Times	2.39	3.81	2.70
PBDIT/Interest	Times	2.77	2.42	1.98
Total Debt/PBDIT	Times	5.29	5.20	3.66
Gross Current Assets (Days)	Days	145	112	193

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.72	ACUITE B / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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