

Mahaluxmi Processing House Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	5.50	SMERA BB+/Stable (Assigned)
Term Loan	6.00	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.11.50 crore bank facilities of Mahaluxmi Processing House Private Limited (MPHPL). The outlook is '**Stable**'.

The rating draws comfort from the company's experienced management, above average financial risk profile and comfortable liquidity position. However, the rating is constrained by the modest scale of operations in a highly competitive textile industry and susceptibility of profit margins to fluctuations in raw material prices.

MPHPL, incorporated in 2008 is a Ludhiana-based company engaged in the dyeing of yarn and other blends. The company is promoted by Mr. Bharat Bhushan Dawar and Mr. Chaitanya Dawar who collectively possess around three decades of experience in the textile industry. The company's financial risk profile is above average marked by low gearing of 0.64 times as on 31st March, 2016. The tangible net worth as on March 31, 2016 is supported by interest-bearing unsecured loans from directors of Rs.7.07 crore which are subordinated to bank debt. SMERA has treated the unsecured loans as quasi-equity. Further, the debt protection metrics are comfortable with interest coverage ratio at 3.89 times and debt service ratio at 2.05 times in FY2015-16. The company has comfortable liquidity position with average cash credit limit utilisation of around 17 percent during the last six months ended September, 2016.

However, the company has modest scale of operations with operating income of Rs.40.11 crore for FY2015-16. Further, the company operates in a highly competitive and fragmented textile industry. The profitability of the company is susceptible to fluctuations in raw material prices of yarns and dyes.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management
- Debt funded capex plan

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook-Stable

SMERA believes that MPHPL will maintain a stable outlook on account of its experienced management. The outlook may be revised to 'Positive' if the company is able to achieve significant growth in revenue along with improvement in profitability while maintaining its liquidity profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected revenue and profitability or takes on major debt funded capex resulting in deterioration in the financial risk profile.

About the Company

MPHPL, incorporated in 2008, is a Ludhiana-based company engaged in the dyeing of yarns and blends. The company began commercial operations in 2012 and took over the existing business of 'Mahaluxmi Silk Store, a partnership firm engaged in the same line of business since 1987. The company is promoted by Mr. Bharat Bhushan Dawar, who possesses experience of around three decades in dyeing of yarn.

In FY2015-16, MPHPL reported profit after tax (PAT) of Rs.3.12 crore on operating income of Rs.40.11 crore, as compared to PAT of Rs.0.41 crore on operating income of Rs.45.24 crore in the previous year.

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ABOUT SMERA

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