Rating Rationale

M. B. Garments (India) Pvt. Ltd.

11 Jun 2018

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹. 7.85 Crores of M. B. Garments (India) Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2017)	Present
Fund based	8.13	7.85	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Total	8.13	7.85	INR Seven Crores and Eighty Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Brickwork Ratings reaffirms the long term rating for the bank loan facilities of ₹ 7.85 cr of M. B. Garments (India) Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied up on the audited financials upto FY17, provisional financials of FY18 and projections for FY19 of M.B. Garments (India) Pvt Ltd ('MBGI', or 'the Company'), information /clarifications provided by the Company's management and publicly available information.

The rating continues to derive strength from the key promoter's experience in garment manufacturing industry and established relationship with clients including renowned retail chain stores. However, the rating is constrained by low scale of operations, intense competitive nature of the industry, stressed liquidity position and the risk arising out of cyclicality in the garment manufacturing industry. Going forward, ability of the company to improve its overall financial profile, to follow the fashion trends and build strong designing capabilities, to procure additional clientele and to manage its working capital efficiently will be the key rating sensitives.

Description of Key Rating Drivers

- **Credit Strengths:**
  - ➢ **Experienced Management-** The directors of the company have a good and long experience of almost 2 decades in this line of business.
  - ➢ **Relationship with Customers and Suppliers**- Good established relationship with customers which includes renowned retail chain stores.

- **Credit Risks:**
  - ➢ **Intense competition in highly fragmented Industry** - High competition from well established players and others in the vicinity limits the profitability of the company.
  - ➢ **Susceptibility to volatility in Raw Material -** The company's margins are highly susceptible to availability and volatility in raw material prices.
  - ➢ **Low Turnover and Profitability-** The Turnover and Profitability of the company remains moderate at Rs 31.82 crs and Rs 0.35 crs respectively in FY17**.**

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: ***Stable***
BWR believes that the **M. B. Garments (India) Pvt. Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company:
M. B. Garments (India) Pvt Ltd was initially started as a Proprietorship Firm in the Year 1999 by Mr. Ahmed Ali Mollah . The firm was later converted to a Private Limited Company in the Year 2011 . The Company is managed as a family business by three brothers, Ahmad Ali Mollah, Julfikar Ali Mollah, Arif Billah Mollah and Farida Begam , wife of Ahmad Ali Mollah. MBGI is engaged in manufacturing of Readymade Garments for children like Pants, Trousers, Jeans, Shorts. They are sold under the brand name of "Fast Boy" and "Favivo"

Company's Financial Performance:

As per the Audited financials of FY17, The Company has reported gross sales of ₹ 31.82 Crores against ₹ 25.79 Crores in FY16. The operating profit margins have increased from 2.94% in FY16 to 3.92% in FY17. Tangible Net Worth of the company has increased from ₹ 3.46 crores in FY 16 to ₹ 3.81 crores in FY17 on account of ploughing back of profits. As per the provisional financials, company has achieved a revenue of Rs.44.76 Cr in FY18.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	May, 2017	Date, Month, Year	Date, Month, Year
1	**Fund Based**	Long Term	7.85	**BWR BB-**	**BWR BB-**	**NA**	**NA**
	Total		**7.85**	**₹ Seven Crores and Eighty Five Lakhs Only**			

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

Any other information

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	31.82	25.79
EBITDA	₹ Cr	1.25	0.76
PAT	₹ Cr	0.35	0.15
Tangible Net worth	₹ Cr	3.81	3.46
Total Debt/Tangible Net worth	Times	1.95	1.63
Current Ratio	Times	1.18	1.27

Annexure 1
Bank wise facility

Bank	Facility	Tenure	Amount (₹ Crs)
Bank Of Baroda	Fund based: Cash Credit	Long Term	6.50
	Term Loan		0.70
	SME Gold Card		0.65
INR Seven Crores and Eighty Five Lakhs Only			7.85

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.