

June 16, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO BANK FACILITIES OF M. B. INDUSTRIES LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	38.30	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	3.00	'PR3' (PR Three)	Assigned
Total Facilities	41.30		

Rating Rationale

The ratings take into account experience of promoters of the company in manufacturing and marketing of ceramic tiles, MBIL's presence in the fast growing vitrified tiles segment, introduction of value added products and relatively low power & fuel cost due to its arrangement with Oil and Natural Gas Corporation Ltd. (ONGC) resulting in healthy profitability. The ratings, however, are constrained on account of short track record of operations of the company in the vitrified tiles segment, which is characterized by high working capital requirements, increased level of competition due to capacity expansions by existing companies and linkage with the real estate sector which exhibits cyclicity. Continuing arrangement for supply of natural gas by ONGC, continued off-take from the real estate sector, any future capex & its funding profile and improvement in its overall financial position are the key rating sensitivities.

Company Profile

M. B. Industries Ltd. (MBIL), incorporated in December 2007, is a closely-held public limited company promoted by Mr. Bharat Patel, Mr. Ganpat Patel and Mr. Kamlesh Patel. The promoters of MBIL have been in the business of manufacturing ceramic tiles since November 2003. MBIL's unit is located in the vicinity of the Himmatnagar ceramic cluster in Gujarat which is one of the major ceramic tile producing regions in India.

¹Complete definitions of the ratings assigned are available at www.careratings.com in other CARE publications.

During 9MFY10 (period ended Dec.31, 2009), MBIL reported a total operating income of Rs.45.69 crore (FY09: Rs.15.63 crore) and a PAT of Rs.2.15 crore (FY09: Rs.0.41 crore). Overall gearing was 2 times as at Dec.31, 2009 and interest coverage was 1.79 times for 9MFY10.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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