

**Press Release**  
**Maris Spinners Limited**

December 30, 2020

**Rating Reaffirmed Outlook Revised**



<b>Total Bank Facilities Rated*</b>	Rs.50.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Negative (Revised from ACUITE BBB-/Stable)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

**Rating Rationale**

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.50.00 cr. bank facilities of Maris Spinners Limited. The outlook is revised to '**Negative**' from '**Stable**'.

**Key Reason for Revision in Outlook**

The revision in the outlook is mainly on account of significant moderation in the business risk profile marked by deterioration of revenues and profitability margins in FY2020, which is expected to continue over the near term.

**About the Company**

Maris Spinners Limited (MSL) was originally incorporated in 1979 and became a public limited company from July 1994. The company is engaged in manufacturing of cotton yarn, its manufacturing unit located at Mysore district in Karnataka and Tiruchirappalli district in Tamil Nadu. MSL has an installed capacity of 49,536 spindles and predominantly manufactures 100 per cent cotton combed yarn of count 40's and 60's. The company is listed on Bombay Stock Exchange (BSE).

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

• **Established presence in the textile industry and experienced management**

MSL is promoted by Mr. Anand Rengaswamy with more than three decades of experience in the textile industry. The company was incorporated in September 18, 1979 and commenced production in 1981, initially with an installed capacity of 11,856 spindles, which was gradually expanded to the present total capacity of 49,536 spindles at both its plants i.e. in Karnataka and Tamil Nadu. MSL has a competent management supported by a team of well qualified and experienced second line personnel.

Acuite believes that the promoter's extensive experience in the textile industry would aid the business risk profile of the company over the medium term.

• **Improvement in the working capital operations**

There was an improvement in the working capital operations of the company marked by GCA of 125 days in FY2020 as against 161 days in FY2019. The improvement was mainly on account of improvement in the inventory holding period of 78 days for FY2020 as against 116 days for FY2019. The debtor days also improved to 38 days in FY2020 from 42 days in FY2019. The average working capital limits utilization was ~82 percent for past eight months ended November 2020.

Acuite believes that efficient working capital management will be crucial to the company for maintaining a stable credit profile.

## Weaknesses

### • Moderation in the operating performance

The company witnessed moderation in its operating performance in FY2020 mainly due to decline in revenues and profitability indicators. The revenues of the company declined to Rs.124.78 crore in FY2020 as against Rs.132.43 crore in FY2019. The EBITDA margins declined to 4.83 percent in FY2020 from 8.51 percent in FY2019. This was mainly due to increase in the cotton prices and lower realisation for the cotton yarn. This also led to PAT losses of Rs.2.07 crore in FY2020.

The operations continued to remain impacted in FY2021 mainly due to lockdown restrictions on account of Covid-19 pandemic for first 2-3 months. The company has reported revenues of Rs.32.59 and net losses of Rs.3.28 crore for H1 FY2021.

Acuite believes that the ability of the company to improve its scale of operations and profitability margins will be key rating sensitivity.

### • Moderate financial risk profile

The financial risk profile of MPL is marked by moderate net worth, gearing and debt protection metrics. The tangible net worth deteriorated to Rs.21.07 crore as on 31 March 2020 as against Rs.24.10 crore as on 31 March 2019 on account of losses in FY2020.

The company follows moderate leverage policy as reflected by its peak gearing of 1.64 times as on 31 March 2019. The gearing has improved to around 1.56 times as on 31 March 2020 on account of debt repayment. The total debt of Rs.32.80 crore as on 31 March 2020 includes term loans from banks of Rs.3.67 crore, unsecured loans of Rs3.90 crore and working capital funds of Rs.25.23 crore.

Moderation in the profitability levels has resulted in deterioration in debt protection metrics, with interest coverage ratio (ICR) of 1.34 (PY: 2.36 times) and NCA/TD of 0.08 times for FY2020 (PY: 0.18 times). Debt/EBITDA also deteriorated to 5.12 times in FY2020 (PY: 3.47 times) mainly on account of the decrease in EBITDA levels.

Acuite believes that the further moderation is expected in the financial risk profile in FY2021 and promoter support in the form of infusion of funds will be critical for improving the same.

### • Susceptibility of profitability to volatility in raw material prices

Raw cotton prices are highly volatile in nature and depend largely on factors like area under cultivation, monsoon, crop yield, international demand-supply and pricing and inventory carry forward of the previous year. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company. Further, the company operates in a highly competitive and fragmented cotton industry with several organized and unorganized players operating in the same industry.

### Liquidity position: Stretched

MSL has stretched liquidity position mainly on account of lower than anticipated cash accruals commensurate with its near term debt obligations and weak current ratio albeit moderate working capital operations. The average working capital utilization was ~82 percent for past eight months ended November 2020. The cash accruals of the company are estimated to remain in the range of Rs1-5 crore for the period 2021-23. The current ratio stood weak at 0.95 percent as on 31 March 2020. The company has taken Covid Emergency Loans of total of Rs.5.06 crore to support its business operations in October 2020. These loans are having moratorium of one year and then repayable in three years.

Acuite believes that ability of the company to improve its profitability matrices to improve its liquidity position and promoter support in case of any contingencies will be key rating sensitivity.

### Rating Sensitivities

- Significant improvement in revenues and profitability margins
- Promoter support by the means of infusion of funds
- Significant deterioration in the working capital operations or liquidity profile

### Material Covenants

None

### Outlook: Negative

Acuite believes that the MSL's credit profile will be impacted by significant moderation in the profitability margins over the near to medium term. The rating may be downgraded in case of continued moderation in its profitability margins impacting the liquidity and debt protection indicators. Conversely, the outlook may be revised to 'Stable' if the company is able to improve its profitability margins and liquidity profile.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	124.78	132.43
PAT	Rs. Cr.	(2.07)	2.48
PAT Margin	(%)	(1.66)	1.87
Total Debt/Tangible Net Worth	Times	1.56	1.64
PBDIT/Interest	Times	1.34	2.36

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
01-Oct-19	Cash Credit	Long term	19.00	ACUITE BBB-/Stable (Upgraded)
	Bill Discounting	Long term	4.50	ACUITE BBB-/Stable (Upgraded)
	Term loan	Long term	1.22	ACUITE BBB-/Stable (Upgraded)
	Cash credit	Long term	4.98	ACUITE BBB-/Stable (Upgraded)
	WCDL	Long term	3.30	ACUITE BBB-/Stable (Upgraded)
	Term loan	Long term	0.50	ACUITE BBB-/Stable (Upgraded)
	Bank guarantee	Short Term	0.50	ACUITE A3 (Upgraded)
	Letter of credit	Short Term	16.00	ACUITE A3 (Upgraded)
24-Aug-18	Cash Credit	Long term	23.20	ACUITE BB+/Stable (Reaffirmed)
	Bill Discounting	Long term	4.50	ACUITE BB+/Stable (Reaffirmed)
	WCDL	Long term	3.30	ACUITE BB+/Stable (Reaffirmed)
	Term loan	Long term	2.50	ACUITE BB+/Stable (Reaffirmed)
	Bank guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)

	Letter of credit	Short Term	16.00	ACUITE A4+ (Reaffirmed)
23-May-17	Cash Credit	Long term	23.20	ACUITE BB+/Stable (Upgraded)
	Bill Discounting	Long term	4.50	ACUITE BB+/Stable (Upgraded)
	Term loan	Long term	11.45	ACUITE BB+/Stable (Upgraded)
	WCDL	Long term	9.30	ACUITE BB+/Stable (Upgraded)
	Bank guarantee	Short Term	1.05	ACUITE A4+ (Reaffirmed)
	Letter of credit	Short Term	0.50	ACUITE A4+ (Reaffirmed)

**\*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	19.00	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
Term loan	Jul 2017	10.75	Jun 2024	0.62	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
Cash credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
WCDL	Not Applicable	Not Applicable	Not Applicable	3.38	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
Term loan	Nov 2016	10.00	Feb 2021	0.50	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised from Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3 (Reaffirmed)

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**About Acuite Ratings & Research:**

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