

## Press Release

### Maris Spinners Limited

March 24, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.50	-	ACUITE A3   Reaffirmed
Bank Loan Ratings	29.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	53.50	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	9.00	-	ACUITE A3   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	108.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

\*Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.45.50.00 Cr bank facilities of Maris Spinners Limited (MSL). The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has also assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.62.50 crore bank facilities of MSL. The outlook is '**Stable**'.

#### Rationale for revision in the outlook:

The revision in the outlook is driven by the improvement in the operating & profitability margins in FY2021 & the expected improvement in the revenues & margins going forward due to the capex plans undertaken by the company, moderate financial risk profile and adequate liquidity position marked by adequate net cash accruals against moderate debt repayment obligations & judicious utilization of the working capital limits. The company continues to draw comfort from its experienced management and long track record of operations.

#### About the Company

Tamil Nadu-based, Maris Spinners Limited (MSL) was originally incorporated in 1979 and became a public limited company from July 1994. The company is promoted by Mr. Anandkumar Rengaswamy, Mr. Thangavelu Jayaraman, Mr. Thangavelu Raghuraman, Mr. Sethuraman Kalyanaraman, Mr. Parag Harkishon Udani, Mr. Harigovind, Mr. Adithya Raghuraman, Mr. Ananthakumar Dhamavanthi and Mr. Swaminathan. The company is

engaged in manufacturing of cotton yarn, its manufacturing unit located at Mysore district in Karnataka and Tiruchirappali district in Tamil Nadu. MSL has an installed capacity of 49,536 spindles and predominantly manufactures 100 percent cotton combed yarn of count 40's and 60's. MSL also operates a windmill with a capacity of 2.1 Mega-watts located in Devangere district in Karnataka; the power generated from the same is used for captive purpose. The company is listed on Bombay Stock Exchange (BSE).

## **Analytical Approach**

Acuité has taken a standalone view of the business and financial risk profile of MSL to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **>Established presence in the textile industry and experienced management**

MSL is promoted by Mr. Anandkumar Rengaswamy, Mr. Thangavelu Jayaraman, Mr. Thangavelu Raghuraman, Mr. Sethuraman Kalyanaraman, Mr. Parag Harkishon Udani, Mr. Harigovind, Mr. Adithya Raghuraman, Mr. Ananthakumar Dhamavanthi and Mr. Swaminathan 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 also operates a windmill with a capacity of 2.1 Mega-watts located in Devangere district in Karnataka; the power generated from the same is used for captive purpose. The Company has already achieved turnover of Rs.120.86 crore for 9MFY2022 and is expecting to achieve around Rs.162 crore in FY2022. The company has orders in hand worth Rs.20-25 crore as on date which is expected to be completed in 30-45 days. The company has also gone for capex plans of expansion and modernization which is expected to improve the production capacity by 7,500 spindles and sales from Q2FY2023 onwards. MSL has a competent management supported by a team of well qualified and experienced second line personnel. Acuité believes that the promoter's extensive experience in the textile industry would aid the business risk profile of the company over the medium term.

#### **>Moderate financial risk profile**

Financial risk profile of MSL is moderate marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 1.59 times as on March 31, 2021 against 1.56 times as on March 31, 2020. TOL/TNW stood at 2.18 times as on March 31, 2021 against 2.39 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.27.65 crore as on March 31, 2021 against Rs.21.07 crore as on March 31, 2020. Of the total debt of Rs.44.04 crore as on March 31, 2021, long-term debt stood at Rs.6.26 crore, short-term debt stood at Rs.30.18 crore, unsecured loans stood at Rs.3.90 crore and CPLTD stood at Rs.3.70 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 3.99 times and 0.24 times respectively in FY2021; while DSCR stood at 2.60 times in FY2021. Acuité believes that going forward the financial risk profile of the company will remain moderate over the medium term backed by moderate accruals and moderate debt protection metrics.

### **Weaknesses**

#### **>Working capital intensive operations**

MSL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 194 days in FY2021 against 125 days in FY2020. The inventory days stood at 147 days in FY2021 against 78 days in FY2020. The inventory holding policy of the company depends on the order book position, the quality of raw cotton and the price of raw cotton. However, the company maintains an average inventory holding policy of 1-2 months. The debtors' days improved and stood at 20 days in FY2021 against 38 days in FY2020. The credit period given to customers ranges from 30-45 days. The creditors' days stood at 58 days in FY2021 against 56

days in FY2020. The company enjoys a credit period of around 60 days from their suppliers in case of non-LC based procurement. In case of LC-based procurement, it procures against LC of 120 days. However, working capital limits remains utilized at 30-40 percent for last 6 months ended February, 2022.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

### >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.

### Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

### Material covenants

None

### Liquidity Position: Adequate

MSL has strong liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.2.64 crore – Rs.10.78 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.1.43 crore – Rs.3.70 crore during the same period. It is expected to generate cash accruals in the range of Rs.15.03 crore – Rs.19.79 crore over the medium term, against moderate repayment obligations in the range of Rs.3.41 crore – Rs.6.46 crore. Unencumbered cash and bank balances stood at Rs.0.63 crore as on March 31, 2021 with a current ratio of 1.15 times in the same period. Liquid investments stood at Rs.0.06 crore as on March 31, 2021. The working capital limits remained utilized at ~30-40 percent for last trailing six months ended February, 2022.

Acuité believes that the liquidity of the company will remain at an adequate level supported by moderate accruals over the medium term.

### Outlook: Stable

Acuité believes that MSL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	108.00	124.78
PAT	Rs. Cr.	6.56	(2.07)
PAT Margin	(%)	6.08	(1.66)
Total Debt/Tangible Net Worth	Times	1.59	1.56
PBDIT/Interest	Times	3.99	1.34

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2020	Cash Credit	Long Term	5.50	ACUITE BBB-   Negative (Reaffirmed)
	Bills Discounting	Long Term	4.50	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	0.62	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BBB-   Negative (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	19.00	ACUITE BBB-   Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.38	ACUITE BBB-   Negative (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Reaffirmed)
01 Oct 2019	Bills Discounting	Long Term	4.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Letter of Credit	Short Term	16.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	0.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Cash Credit	Long Term	4.98	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	19.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	1.22	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
24 Aug	Working Capital Demand Loan	Long Term	3.30	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	23.20	ACUITE BB+   Stable (Reaffirmed)
	Bills Discounting	Long Term	4.50	ACUITE BB+   Stable (Reaffirmed)

2018	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BB+   Stable (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A4+ (Reaffirmed)
23 May 2017	Cash Credit	Long Term	23.20	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bills Discounting	Long Term	4.50	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	11.45	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Working Capital Demand Loan	Long Term	9.30	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
		Short Term		
	Letter of Credit	Term	0.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.05	ACUITE A4+ (Reaffirmed)
08 Mar 2016	Cash Credit	Long Term	23.20	ACUITE BB   Stable (Assigned)
	Proposed Cash Credit	Long Term	2.88	ACUITE BB   Stable (Assigned)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BB   Stable (Assigned)
	Post Shipment Credit	Long Term	4.50	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	14.62	ACUITE BB   Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3   Reaffirmed
Indian Overseas Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Term Loan	31-03-2021	9.10	31-12-2029	20.50	ACUITE BBB-   Stable   Assigned
Karur Vysya Bank	Not Applicable	Term Loan	28-02-2019	8.25	31-08-2022	0.44	ACUITE BBB-   Stable   Assigned
Karur Vysya Bank	Not Applicable	Term Loan	28-02-2020	8.25	31-08-2023	2.34	ACUITE BBB-   Stable   Assigned
Karur Vysya	Not						ACUITE BBB-

Bank	Applicable	Term Loan	31-03-2021	8.25	30-09-2024	0.22	Stable   Assigned
Indian Overseas Bank	Not Applicable	Working Capital Demand Loan (WCDL)	31-10-2020	9.25	31-10-2024	2.88	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Working Capital Term Loan	30-11-2021	9.25	30-11-2026	2.80	ACUITE BBB-   Stable   Assigned
Karur Vysya Bank	Not Applicable	Working Capital Term Loan	30-09-2020	8.20	30-09-2024	1.86	ACUITE BBB-   Stable   Assigned
Karur Vysya Bank	Not Applicable	Working Capital Term Loan	30-11-2021	7.05	30-11-2026	1.98	ACUITE BBB-   Stable   Assigned

**Note:**

CC of Indian Overseas Bank includes sublimit of Cash Credit facility to the extent of Rs.0.20 crore, Inland bills under LC is sublimit of Cash Credit facility to the extent of Rs.1.00 crore and PC (180 days) under orders / LC is sublimit of Cash Credit facility to the extent of Rs.4.00 crore. Bills Discounting of Indian Overseas Bank includes sublimit of export bills drawn under LCs issued by non-prime banks to the extent of Rs.3.00 crore. WCDL is sublimit of Cash Credit of Karur Vysya Bank to the extent of Rs.4.50 crore.

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### About Acuité Ratings & Research

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