

Press Release
Maris Spinners Limited
June 07, 2024



Rating Downgraded and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|---------------------------------|-------------------------|
| Bank Loan Ratings | 89.50 | ACUITE BB Stable Downgraded | - |
| Bank Loan Ratings | 25.50 | - | ACUITE A4+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 115.00 | - | - |

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and reaffirmed the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.115 Cr. bank facilities of Maris Spinners Limited (MSL). The outlook is '**Stable**'.

Rationale for rating downgrade:

The rating downgrade takes into account MSL's lower-than-expected operating performance in FY2024, below average financial risk profile and stretched liquidity position. Although the company saw revenue growth in FY2024 compared to FY2023 at Rs.166.99 Cr. due to volume growth, the lower realizations for yarn resulted in operating margins to remain subdued for the second consecutive year since FY2023. Additionally, the company's financial risk profile remains below average due to a decline in net worth caused by net loss. Further, despite the stretched liquidity position, MSL has managed to meet its debt obligations on time through cushion in working capital limits and support from group companies. Going forward, the company's ability in improving its profitability, financial risk profile and maintaining adequate liquidity will be a key rating monitorable.

About the Company

Maris Spinners Limited (MSL) listed on Bombay Stock Exchange (BSE) was originally incorporated as a private limited company on 18th September, 1979. However, from July 1994, the company became a deemed Public Limited Company under the Companies Act, 1956. The company was started by Mr. M Rengaswamy. His son Mr. Anand Rengaswamy is the current Managing Director of the company. The Company commenced commercial production in 1981 with an installed capacity of 11,856 spindles. Factory located in the Mysore district of Karnataka and Tiruchirapalli district of Tamilnadu, MSL's spinning units currently have a combined installed capacity of 49,536 spindles manufacturing 100% cotton combed yarn of counts 30s, 40s & 60s. The company mainly caters to the domestic market. MSL also operates a windmill with a capacity of 2.1 Mega-watts and solar power with a capacity of 3MW, the power generated from the same is used for captive purpose. This accounts for 30% of their power requirement.

Unsupported Rating

Not applicable

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. Management have more than 4 decades of experience in spinning industry and with the experience of the management MSL has emerged as a reputed spinning player in south India. The key factors for the success of the company are maintaining consistency in quality of cotton and timely delivery of cotton from the suppliers. 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.

Weaknesses

Moderate intensive working capital operations:

The working capital operations of the company are moderately intensive which is evident from Gross Current Asset (GCA) days of 119 for FY2024. Generally, the company maintains inventory for 4 months but during FY2024, in order to ensure smooth cash flow the company has reduced their inventory holding period by 20 days (from 93 to 73 days) leading to moderate dependency on bank limits were utilized at an average of 87 percent during the past 12 months ending May 2024. Creditor days stood at 82 days in FY24 against 106 days in FY2023. Debtors days stood at 21 days for FY2024 against 14 days during previous year. Current ratio declined to 0.79 times during FY2024 against 0.83 times during previous year. Acuite believes further elongation of working capital cycle will remain a key rating sensitivity.

Below-average financial risk profile:

MSL's financial risk profile is below average due to a decline in net worth to Rs.21.34 Cr. as on March 31, 2024 from Rs.30.33 Cr. in FY23. This decline is attributable to net loss suffered by MSL for second consecutive year ending FY2024. In addition to this, the company's debt level increased from ~Rs.63 Cr. to ~Rs.81 Cr. in FY2024, comprising long term debt of ~Rs.43 Cr. and short term borrowing of ~Rs.38 Cr. Consequently, gearing levels deteriorated to 3.82 times in as of March 31, 2024. Debt protection metrics remained below average for FY2024 on account of nominal operating profit. Total outside liabilities to tangible net worth stood at 4.91 times as on March 31, 2024 against 3.27 times of March 31, 2023. Furthermore, Debt to EBITDA stood at 56.18 times as on March 31, 2024 against -13.32 times of previous year. Acuite believes that financial risk profile of the company will improve over the medium term due to expected improvement in profitability and net worth.

Rating Sensitivities

- MSL's ability to improve its scale of operations and profitability levels.
- Timely support from promoters to meet the repayment obligations.
- Any significant elongation in working capital cycle leading to deterioration in the financial risk profile and liquidity position.

Liquidity Position : Stretched

Liquidity position of MSL is stretched on account of insufficient cash accruals against its debt repayment obligations. MSL suffered net loss of Rs.9.13 Cr. during FY2024 as a result NCA's stood at Rs. -3.23 Cr. for the period. The company has availed two new loans of Rs.15.5 Cr. and Rs.4.3 Cr. in FY2024 to support the operations and liquidity. Further, the company has some cushion in its working capital limits, which were utilized at an average of 87 percent in past 12 months ending May 2024. MSL is entitled for a capital subsidy of Rs.7.17 Cr. which is expected to be utilized to meet the debt repayment obligations. Acuite expects the company's liquidity position to improve over the medium term on account of expected improvement in operating performance.

Outlook: Stable

Acuite 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 improving its profitability margins significantly. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or further deterioration in its working capital management or larger than expected debt funded capex leading to further deterioration in its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 166.99 | 148.66 |
| PAT | Rs. Cr. | (9.13) | (10.86) |
| PAT Margin | (%) | (5.47) | (7.31) |
| Total Debt/Tangible Net Worth | Times | 3.82 | 2.09 |
| PBDIT/Interest | Times | 0.16 | (0.86) |

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|---------------------------|-------------------------------------|------------|----------------------------------|--|
| 03 Jul 2023 | Bank Guarantee/Letter of Guarantee | Short Term | 0.50 | ACUITE A4+ (Reaffirmed) |
| | Bills Discounting | Long Term | 4.50 | ACUITE BB+ Stable (Reaffirmed) |
| | Cash Credit | Long Term | 20.50 | ACUITE BB+ Stable (Reaffirmed) |
| | Cash Credit | Long Term | 19.00 | ACUITE BB+ Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 25.00 | ACUITE A4+ (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 0.67 | ACUITE BB+ Stable (Assigned) |
| | Term Loan | Long Term | 6.67 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 6.33 | ACUITE BB+ Stable (Assigned) |
| | Term Loan | Long Term | 19.52 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 0.83 | ACUITE BB+ Stable (Reaffirmed) |
| | Working Capital Demand Loan (WC DL) | Long Term | 4.50 | ACUITE BB+ Stable (Reaffirmed) |
| | Working Capital Term Loan | Long Term | 1.70 | ACUITE BB+ Stable (Reaffirmed) |
| | Working Capital Term Loan | Long Term | 1.49 | ACUITE BB+ Stable (Reaffirmed) |
| | Working Capital Term Loan | Long Term | 0.99 | ACUITE BB+ Stable (Reaffirmed) |
| Working Capital Term Loan | Long Term | 2.80 | ACUITE BB+ Stable (Reaffirmed) | |
| 19 Jun 2023 | Bank Guarantee/Letter of Guarantee | Short Term | 0.50 | ACUITE A4+ (Downgraded from ACUITE A3) |
| | Bills Discounting | Long Term | 4.50 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Cash Credit | Long Term | 19.00 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Cash Credit | Long Term | 20.50 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Letter of Credit | Short Term | 25.00 | ACUITE A4+ (Downgraded from ACUITE A3) |
| | Term Loan | Long Term | 6.67 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 0.83 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 19.52 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Working Capital Demand Loan (WC DL) | Long Term | 4.50 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Working Capital Term Loan | Long Term | 1.70 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Working Capital Term Loan | Long Term | 2.80 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Working Capital Term | Long | | ACUITE BB+ Stable (Downgraded from |

| | | | | |
|---------------------------|-------------------------------------|------------|---------------------------------|--|
| | Loan | Term | 0.99 | ACUITE BBB- Stable) |
| | Working Capital Term Loan | Long Term | 1.49 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| 24 Mar 2022 | Bank Guarantee/Letter of Guarantee | Short Term | 0.50 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Long Term | 4.50 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 19.50 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 19.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.50 | ACUITE BBB- Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 16.00 | ACUITE A3 (Reaffirmed) |
| | Proposed Letter of Credit | Short Term | 9.00 | ACUITE A3 (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 0.98 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 20.50 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 0.44 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 2.34 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 0.22 | ACUITE BBB- Stable (Assigned) |
| | Working Capital Demand Loan (WC DL) | Long Term | 2.88 | ACUITE BBB- Stable (Assigned) |
| | Working Capital Term Loan | Long Term | 2.80 | ACUITE BBB- Stable (Assigned) |
| | Working Capital Term Loan | Long Term | 1.86 | ACUITE BBB- Stable (Assigned) |
| Working Capital Term Loan | Long Term | 1.98 | ACUITE BBB- Stable (Assigned) | |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------------|-------------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|---|
| Indian Overseas Bank | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 0.50 | ACUITE A4+ Reaffirmed |
| Indian Overseas Bank | Not avl. / Not appl. | Bills Discounting | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 4.50 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Karur Vysya Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 20.50 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 19.00 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 25.00 | ACUITE A4+ Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 0.67 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Karur Vysya Bank | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Jan 2030 | Simple | 13.00 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Nov 2029 | Simple | 19.52 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Sep 2024 | Simple | 0.83 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Karur Vysya Bank | Not avl. / Not appl. | Working Capital Demand Loan (WC DL) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 4.50 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Sep 2024 | Simple | 1.70 | ACUITE BB Stable Downgraded (from |

| | | | | | | | | |
|----------------------|----------------------|---------------------------|----------------------|----------------------|-------------|--------|------|---|
| | appl. | | | | | | | ACUITE BB+) |
| Karur Vysya Bank | Not avl. / Not appl. | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Dec 2025 | Simple | 1.49 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Karur Vysya Bank | Not avl. / Not appl. | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Sep 2024 | Simple | 0.99 | ACUITE BB Stable Downgraded (from ACUITE BB+) |
| Indian Overseas Bank | Not avl. / Not appl. | Working Capital Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Nov 2026 | Simple | 2.80 | ACUITE BB Stable Downgraded (from ACUITE BB+) |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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