

**Maharaja Cotspin Limited: Assigned**

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit cum Working Capital Demand Loan	10.00	SMERA BB/Stable (Assigned)
Term Loan	35.90	SMERA BB/Stable (Assigned)
Line of Credit for Purchase of Vehicles	1.00	SMERA BB/Stable (Assigned)
CVEHI Loan	0.04	SMERA BB/Stable (Assigned)
Proposed Loan Term Facility	0.46	SMERA BB/Stable (Assigned)
Foreign Documentary Bills Negotiation Under LC	5.00	SMERA A4+ (Assigned)
Bank Guarantee	0.60	SMERA A4+ (Assigned)
Inland/Import LC Cum Buyers' Credit	15.00	SMERA A4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.47.40 crore bank facilities and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.20.60 crore short term bank facilities of Maharaja Cotspin Limited (MCL). The outlook is '**Stable**'.

The ratings draw comfort from the improving profitability and robust coverage indicators. The ratings are also supported by the steady net cash accruals and improvement in the capital structure. However, the ratings are constrained by the high bank limit utilisation and gearing of the company.

MCL is engaged in the manufacture of polyester fabrics. The above ratings take into account the improvement in EBITDA margin from 10.72 per cent in FY2015 to 12.69 per cent in FY2016. Further, the (Profit After Tax) PAT margin also rose from 0.33 per cent in FY2015 to 1.07 per cent in FY2016. The company reported a stable Return on Capital Employed at 16.68 per cent in FY2016 as against 16.93 per cent in the previous year. The healthy profitability is attributed to the robust operating efficiency marked by interest coverage ratio of 2.18 times in FY2016 and Debt Service Coverage Ratio (DSCR) of 1.26 times. Also, the debt to EBITDA Ratio improved from 2.84 times in FY2015 to 2.33 times in FY2015. On account of the stable profitability indicators, the Net Cash Accruals improved from Rs.7.50 crore in FY2015 to Rs.8.53 crore in FY2016.

However, the gearing continues to be high at 2.56 times in FY2016 in spite of an improvement from 3.28 times in FY2015. The ratings also factor in the high bank limit utilisation of 98.90 per cent over the last six months.

**Outlook- Stable**

SMERA believes that MCL will maintain a Stable outlook in the medium term on account of healthy coverage indicators and robust profitability indicators. The outlook may be revised to 'Positive' in case of significant improvement in gearing coupled with an increase in net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenues and profitability or further deterioration in the financial risk profile.

### Rating Sensitivity Factors

- Decrease in debt equity ratio
- Improvement of coverage indicators
- Deterioration in net cash accruals

### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

MCL, incorporated in April 2010 manufactures polyester fabrics. The company is engaged in the spinning of acrylic and polyester yarn along with sale of polyester fabric.

MCL reported net operating income of Rs.124.95 crore in FY2016 and PAT of Rs.1.34 crore against net operating income of Rs.138.50 crore in FY2015 and PAT of Rs.0.46 crore.

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### ABOUT SMERA

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