

## Press Release

### Meera Cotton & Synthetic Mills Private Limited

December 02, 2021



### Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.10	1.10		ACUITE A3   Reaffirmed
Bank Loan Ratings	62.21	62.21	ACUITE BBB-   Stable   Reaffirmed	
Total	-	63.31	-	-

### 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. 63.31 crore bank facilities of Meera Cotton and Synthetic Mills Private Limited (MCSMPL). The outlook is '**Stable**'.

### Rationale for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn on the long track record of operations, extensive experience of promoters and stable business risk profile. Coupled to that, the company has a comfortable financial risk profile, adequate liquidity with moderate bank limit utilization.

### About the Company

Incorporated in the year 1994, Meera Cotton and Synthetic Mills Private Limited is a Mumbai-based company. The company is headed by Mr. Jayesh Shah (Managing Director) who has been engaged with company since inception and has an experience of more than three decades in the industry. The company is engaged in the manufacturing of yarn, knitted fabrics and garments. The company has two manufacturing plants at Silvassa and Bhiwandi with capacities of 1200MT per annum for twisted yarn, 9700MT per annum for knitted fabrics and for texturised yarn the capacity has been enhanced from 14000MT per annum to 15440MT per annum.

### About the Group

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### Established track record of operations and experienced management

MCSMPL was incorporated in the year 1994. The Managing Director of the company Mr. Jayesh Shah has been associated with the company since its inception and has an experience of more than three decades in the industry and is ably assisted by an experienced second line of management. The extensive experience of the directors has helped the

company to maintain a healthy relationship with its customers and suppliers. The key customers of the company include names like Future Enterprise Limited, Ginza Industries Limited, Karni Impex and Yash Fashion amongst others with no major concentration in revenues. The key suppliers include names like DNH Spinners Private Limited, Geelon Industries Private Limited, Filatex India Limited and International Business and Trade, to name a few.

Acuité believes that the company will benefit from the extensive experience of the directors along with a healthy relationship with its customer and suppliers.

### **Improvement in margins Y-O-Y basis**

MCSMPL's profitability margin has improved in FY2021 as against FY2020. The EBITDA margins have improved to 9.50 percent (Prov.) in FY2021 from 8.46 percent in FY2020. This is majorly on account of decline in the raw material price and due to lockdown, the demand for casual wear has increased. Moreover, the company also enjoys higher- margin associated with the Knitted Fabric segment. Similarly, the PAT margin has increased to 4.44 percent (Prov.) in FY2021 from 3.08 percent in FY2020.

Acuité believes that the profitability margin of MCSMPL will increase due to the higher contribution of knitted fabrics in the total revenue mix.

### **Moderate financial risk profile**

MCSMPL's financial risk profile is moderate, marked by healthy net worth, moderate gearing and comfortable debt protection metrics. The company's net worth is healthy and has increased to Rs.49.06 crore (Prov.) as on March 31, 2021, as against Rs.40.39 crore as on March 31, 2020. The net worth levels have seen improvement over the last three years through FY2021 on account of limited accretion to reserves during the same period. The gearing continues to remain moderate around 1.45 times (Prov.) as on March 31, 2021, as against 1.19 times as on March 31, 2020. The total outstanding borrowing as on March 31, 2021, is Rs.71.16 crore which includes long term borrowings of Rs.33.02 crore and short-term borrowing of Rs.24.46 crore. As on March 31, 2021, the gearing and total outside liabilities to tangible net worth (TOL/TNW) levels stand at 1.45 times (Prov.) and 1.90 times (Prov.) respectively, as against 1.19 times and 1.76 times as on March 31, 2020. The company, on the other hand, generated cash accruals of Rs.13.16 crore (Prov.) in FY2021.

The revenue of the company has decreased by around 14 percent to Rs.195.48 crore (Prov.) in FY2021 from Rs.228.29 crore in FY2020. EBITDA in absolute term has decreased to Rs.18.56 crore (Prov.) in FY2021 as against Rs.19.32 crore in FY2020. Similarly, PAT has increased from Rs.7.02 crore in FY2020 to Rs.8.69 crore (Prov.) in FY2021. The comfortable profitability levels, coupled with moderate debt levels, have led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2021 stands at 0.18 times (Prov.) and 4.25 times (Prov.) respectively as against 0.23 times and 3.78 times in FY2020, respectively. The Debt-EBITDA ratio stands at 4.13 times (Prov.) in FY2021 against 2.47 times in FY2020.

### **Weaknesses**

#### **Working capital operation is intensive in nature**

MCSMPL's working capital operation is intensive in nature. It has deteriorated in FY2021 as against FY2020 as it is reflected by its Gross Current Asset (GCA) days of around 147 days (Prov.) in FY2021 as against 105 days in FY2020. The working capital cycle days have deteriorated from 67 in FY2020 to 92 days (Prov.) in FY2021. The company has inventory holding period of 40 days (Prov.) as on 31 March 2021 as against 25 days as on 31 March 2020. MCSMPL has receivable days of 94 (Prov.) as on 31 March 2021 as against 76 days as on 31 March 2020. This is due to higher credit terms of 60 days given to their Knitted Fabric and Garment segment customers, respectively. Longer payment term has resulted in accumulated receivables of Rs.50.17 crore (Prov.) as on 31 March 2021. On the other hand, the company has a credit payment of 42 days (Prov.) as on 31 March 2021 as against 34 days

as on 31 March 2020. As a result, the average bank limit utilization stood moderate at around 67.70 percent for six months ended October 2021.

Acuité expects the working capital management to remain intensive over the medium term on account of stretched receivables.

### **Liquidity Position: Adequate**

The company has an adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.13.16 crore (Prov.) in FY2021 as against the maturing debt obligations of Rs.7.62 crore during the same period. The cash accrual of the company is estimated to remain around Rs.15.65 crore to Rs.22.07 crore during 2021-23 against repayment obligations of around Rs.10.00 crore to Rs.11.00 crore during the same period. The company's working capital operation is intensive marked by the Gross Current Asset (GCA) days of 147 days (Prov.) in FY2021 as against 105 days in FY2020. The average bank limit utilization stood moderate at around 67.70 per cent for six months ended October 2021. The company maintains unencumbered cash and bank balances of Rs.0.17 crore (Prov.) as on 31 March 2021. Further, the company has an investment of Rs.1.55 crore (Prov.) as on March 31, 2021. The current ratio stands at 1.62 times (Prov.) as on 31 March 2021.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy net cash accruals to its debt repayments over the medium term.

### **Rating Sensitivities**

>Deterioration in working capital cycle leading to deterioration in liquidity

### **Material covenants**

None

### **Outlook: Stable**

Acuité believes that MCSMPL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the industry. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative', if the company generates lower-than- anticipated cash accruals, most likely because of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

### **Key Financials**

<b>Particulars</b>	<b>Unit</b>	<b>FY 21 (Actual)</b>	<b>FY 20 (Actual)</b>
Operating Income	Rs. Cr.	195.48	228.29
PAT	Rs. Cr.	8.69	7.02
PAT Margin	(%)	4.44	3.08
Total Debt/Tangible Net Worth	Times	1.45	1.19
PBDIT/Interest	Times	4.25	3.78

### **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>
- 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
03 Sep 2020	Term Loan	Long Term	3.78	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	3.15	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Proposed Long Term Loan	Long Term	6.58	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Cash Credit	Long Term	37.85	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	9.58	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	1.27	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Bank Guarantee	Short Term	1.10	ACUITE A3 (Upgraded from ACUITE A4+)
24 Dec 2019	Cash Credit	Long Term	37.85	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	1.10	ACUITE A4+ (Downgraded from ACUITE BBB-)
	Proposed Long Term Loan	Long Term	5.78	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	10.54	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.05	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	3.99	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
11 Oct 2018	Cash Credit	Long Term	37.85	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	9.32	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	4.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	10.54	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	1.10	ACUITE BBB- (Upgraded from ACUITE A4+)
26 Sep 2017	Cash Credit	Long Term	27.28	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	17.37	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	4.50	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	0.85	ACUITE A4+ (Reaffirmed)
10 Sep 2016	Cash Credit	Long Term	22.85	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	17.37	ACUITE BB   Stable (Assigned)
	Proposed Bank Facility	Long Term	5.93	ACUITE BB   Stable (Assigned)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Assigned)

	Bank Guarantee	Short Term	0.85	ACUITE A4+ (Assigned)
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## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.85	37.85	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.27	1.27	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.15	3.15	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	9.58	9.58	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.78	3.78	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	6.58	6.58	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.10	1.10	ACUITE A3   Reaffirmed

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### About Acuité Ratings & Research

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