

Press Release

Meera Cotton & Synthetic Mills Private Limited

February 06, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	49.85	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	62.21	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	0.15	-	ACUITE A3 Assigned
Bank Loan Ratings	1.10	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	113.31	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed and 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. 113.31 crore bank facilities of Meera Cotton and Synthetic Mills Private Limited (MCSMPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The reaffirmation of the rating is driven by the improved operating performance of the company in FY2022 marked by improvement in operating income, stable profitability, and moderate financial risk profile. The operating income increased to Rs.327.71 crore in FY2022 as against Rs.195.48 crore in FY2021. Further, the operating income stood at Rs.302.58 crore for 9MFY2023. The operating profitability of the company remained range bound between 7.72-9.50 percent for the last three years ended FY2022. The financial risk profile continues to remain moderate marked by modest net-worth, moderate gearing and coverage indicators

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.

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.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, gearing and comfortable coverage indicators. The net worth of the company improved and stood at Rs.58.33 crore as on 31 March 2022 as against Rs.49.06 crore as on 31 March 2021 on account of accretion in reserves. The management follows a moderate leverage policy reflected in its gearing level of 1.48 times as on 31 March 2022 as against 1.45 times as on 31 March 2021. The total outside liabilities to tangible net worth (TOL/TNW) ratio stood moderate at 1.83 times in FY2022 as against 1.90 times in FY2021.

The interest coverage ratio (ICR) stood at 4.51 times as on 31 March 2022 as against 4.25 times as on 31 March 2021. The debt service coverage ratio (DSCR) stood at 1.60 times on 31 March 2022 as against 2.09 times as on 31 March 2021.

Acuité believes that the company will be able to maintain a moderate financial risk profile in near to medium term.

Moderately efficient working capital nature of operations

The working capital management of the operations of the company is moderate marked by GCA days of 116 days in FY2022 as against 147 days in FY2021. The receivables days stood at 82 days as on 31 March 2022 as against 94 days as on 31 March 2021. The inventory holding days stood at 26 days as on 31 March 2022 as against 40 days as on 31 March 2021. However, the average cash credit limit utilization stood at around 46.97 percent during the last twelve months as on October 2022.

Weaknesses

Exposure of risks associated with planned capital expenditure

The company has planned construction of additional building and purchase of 7 Plant and Machinery towards expansion of texturizing unit at Surangi, Silvassa. The project will be completed by end of FY2023, which is expected to be funded through term loan is Rs.14.40 crore.

Acuité believes timely project implementation while sustaining the financial risk profile without any time and cost overruns remains a key sensitivity factor.

Highly fragmented and competitive industry and susceptibility of margins to raw material price fluctuation risk

The knitted garment industry in India is highly fragmented and competitive, marked by the presence of a large number of organised and unorganised players. MCSMPL is exposed to

intense competition from both domestic players as well as the established players in the overseas market. The shifts in consumption patterns can also have an adverse impact on the operations of the company. Further, the profitability of the company is susceptible to fluctuations in the prices of raw materials – polyester, spandex and other consumables.

Rating Sensitivities

- Deterioration in working capital cycle leading to deterioration in liquidity
- Timely completion of capex without any cost overrun

Material covenants

None

Liquidity Position Adequate

Liquidity of MCSMPL is adequate marked by adequate cash accruals of Rs.15.70 crore in FY2022 against the maturing debt obligations of Rs.7.62 crore. Going ahead, the net cash accruals are expected to be in the range of Rs. 20.15-24.85 core over the medium term against maturing debt obligation in the range of Rs.6.98-11.89 crore. Further, the company maintains unencumbered cash balances of Rs.4.24 crore as on 31 March 2022. The current ratio stood at 1.69 times as on 31 March 2022. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.18 times in FY2022. However, the average cash credit limit utilization stood at around 46.97 percent during the last twelve months as on October 2022.

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

Any Other Information

None

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

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	327.71	195.48
PAT	Rs. Cr.	10.31	8.69
PAT Margin	(%)	3.15	4.44

Total Debt/Tangible Net Worth	Times	1.48	1.45
PBDIT/Interest	Times	4.51	4.25

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

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
02 Dec 2021	Proposed Long Term Loan	Long Term	6.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.15	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.10	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	37.85	ACUITE BBB- Stable (Reaffirmed)
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+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.10	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.15	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	37.85	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.08	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.39	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.97	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.95	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	18.36	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.66	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.40	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.40	ACUITE BBB- Stable Assigned

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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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