



Press Release
Meera Cotton & Synthetic Mills Private Limited
March 22, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	112.06	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	1.25	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	135.31	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A Three plus**) on the Rs.113.31 crore bank facilities of Meera Cotton and Synthetic Mills Private Limited (MCSMPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.22.00 crore bank facilities of Meera Cotton and Synthetic Mills Private Limited (MCSMPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation takes into account the sustained operating and financial performance of MCSMPL over the last three years. The company's operating income stood at Rs.406.06 crore in FY2023 as against Rs.327.65 Cr. in FY2022 and is expected to close the year FY2024 in the range of Rs.380-400 Cr. The YOY increase in installed capacity and enhanced production capacity with an average utilization ranging between 85-95 percent drives the improved scale of operations. Further, the operating margins marginally improved and stood at 8.40 percent in FY2023 as against 7.70 percent in FY2022.

Further, the rating also derives strength from the moderate financial risk profile of MCSMPL which is marked by moderate net worth, comfortable gearing and coverage indicators. The company's overall gearing stood at 1.40 times as on 31 March 2023 as against 1.48 times as on 31 March 2022. The interest coverage ratio remained above-average with 4.82 times for FY2023 as against 4.51 times FY22.

However, the rating is constrained by the moderate intensive working capital operations and highly fragmented and competitive industry and susceptibility of margins to raw material price fluctuation risk.

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 Texturised and twisted yarn, knitted fabrics, and garments and deals with polyester and spandex. The company has two manufacturing plants at Silvassa and Bhiwandi. The current installed capacity of texturised yarn is 24000 MT , twisted Yarn is 1200 MT and knitted fabric is 20,000 MT.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Meera Cotton and Synthetic Mills Private Limited (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 Reliance retail 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.

The operating income improved to Rs.406.06 Cr. in FY2023 as against from Rs.327.65 crore in FY2022 with YoY growth of 23.93 percent. The YOY increase in installed capacity and improved actual utilisation resulted in incremental operating income. The operating margin marginally improved in FY2023 and stood at 8.40 percent in FY2023 as against 7.70 percent in FY2022. The PAT margin stood at 3.88 percent in FY2023 as against 3.15 percent in FY2022. Further, the operating income stood at Rs.320.85 crore for 10MFY2024 and estimates to achieve turnover of Rs.380-400 Cr. of turnover in FY2024.

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, above-average coverage indicators, and moderate gearing. The net worth of the company improved and stood at Rs.74.10 crore as on 31 March 2023 as against Rs.58.33 crore as on 31 March 2022 on account of accretion in reserves. The gearing level stood at 1.40 times as on 31 March 2023 as against 1.48 times as on 31 March 2022. The total debt consists of long term debt of Rs. 36.11 Cr, Short term debt of Rs.53.47 Cr, Unsecured loans from directors of Rs.2.40 Cr and current maturities of long term debt of Rs. 11.99 Cr as on 31 March 2023. The Debt/ EBITDA improved and stood at 2.90 times as on 31 March 2023 as against 3.26 times as on 31 March 2022. Total outside liabilities to Tangible net worth (TOL/ TNW) stood at 1.77 times as on 31 March 2023 as against 1.83 times as on 31 March 2022.

Debt protection indicators are above –average with interest coverage ratio (ICR) stood at 4.82 times as on 31 March 2023 as against 4.51 times as on 31 March 2022. Debt service coverage ratio (DSCR) stood at 2.01 times on 31 March 2023 as against 1.60 times as on 31 March 2022. Net Cash accruals / total debt (NCA/TD) ratio stood at 0.21 times in FY2023 as against 0.18 times in FY2022.

Acuité believes that the financial risk profile of the company will continue to be moderate in near to medium term.

Weaknesses

Moderately Intensive working capital nature of operations

The working capital operations of the company are moderately intensive in nature marked by Gross Current Assets (GCA) in the range of 116 days for the last two years ended in FY2023. Gross current assets majorly consist of debtors. The receivables days moderately improved and stood at 73 days as on 31 March 2023 as against 82 days as on 31 March 2022. The inventory holding days stood comfortable at 30 days as on 31 March 2023 as against 26 days as on 31 March 2022. Further, the bank limit utilization stood at around moderate at 51.51 percent for fund based facilities and 54.20 percent for non-fund based facilities during the last twelve months as on January 2024.

Acuite believes the working capital operations of the MCAS MPL will remain intensive in nature owing to nature of operations.

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
- Ability of the company to maintain its profitability margins amidst the fluctuation in raw material prices

Liquidity Position: Adequate

Liquidity of MCSMPL is adequate marked by adequate cash accruals of Rs.21.62 crore as on 31 March 2023 against the maturing debt obligations of Rs.6.98 crore. Going ahead, the net cash accruals are expected to be in the range of Rs.22.69-30.78 core and maturing debt obligation in the range of Rs.11.99 -13.08 -10.80 crore. Further, the company maintains unencumbered cash balances of Rs.10.17 crore as on 31 March 2023. The current ratio stood moderate at 1.51 times as on 31 March 2023. The bank limit utilisation for fund based facilities stood at 51.51 percent and for non-fund based facilities 54.20 percent during the last twelve months as on January 2024.

Acuite expects the liquidity position of the company to remain at adequate level backed by adequate net cash accruals against repayment obligations.

Outlook: Stable

Acuite 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 improving 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	406.06	327.65
PAT	Rs. Cr.	15.75	10.31
PAT Margin	(%)	3.88	3.15
Total Debt/Tangible Net Worth	Times	1.40	1.48
PBDIT/Interest	Times	4.82	4.51

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

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
15 Mar 2023	Bank Guarantee (BLR)	Short Term	1.25	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	57.85	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	3.47	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	14.40	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	4.66	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	7.40	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	0.97	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	4.95	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	18.36	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
06 Feb 2023	Bank Guarantee/Letter of Guarantee	Short Term	1.10	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.15	ACUITE A3 (Assigned)
	Cash Credit	Long Term	37.85	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.08	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.39	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.97	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.95	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.36	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.66	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.40	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	14.40	ACUITE BBB- Stable (Assigned)
02 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	1.10	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	37.85	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	6.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.58	ACUITE BBB- Stable (Reaffirmed)
		Long		

	Term Loan	Term	1.27	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.15	ACUITE BBB- Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.25	ACUITE A3+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	57.85	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.65	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2028	Simple	12.39	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2024	Simple	1.70	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2027	Simple	7.09	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2030	Simple	12.12	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2025	Simple	2.87	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2027	Simple	14.39	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2030	Simple	2.00	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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