



**Press Release**  
**MA NJEET COTTON PRIVATE LIMITED**  
**June 07, 2023**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	94.35	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	477.20	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	72.00	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	643.55	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of **Acuite A (read as Acuite A)** on Rs. 477.20 crore bank facilities, its short-term rating of **Acuite A1 (read as Acuite A One)** on Rs. 72 crore bank facilities, and assigned its long-term rating of **Acuite A (read as Acuite A)** on Rs. 94.35 crore bank facilities of Manjeet Cotton Private Limited (MPCL). The outlook is 'stable'.

**Rationale for reaffirmation**

The rating reaffirmation is on account of the moderate operating and financial performance of MCPL, marked by estimated moderation in operating income, improved profitability, and a moderate financial risk profile. The revenue of the company is estimated to be Rs. 3140.16 crore in FY2023E, compared to Rs. 7000.54 crore in FY22. Operating profitability is estimated to improve to more than 4.2 percent in FY2023E as compared to 2.91 percent in FY2022. The decline in revenues is on account of the reduced contribution of the trading segment to total revenue as compared to FY2022. During FY2023, overall availability of cotton in the market was limited, coupled with lower price levels, resulting in lower volumes and price realisations. However, profitability is estimated to improve on account of higher margins from the spinning segment and the forward integration of operations, which was completed in FY2022. Net profitability margin is estimated to improve on account of a significant reduction in interest costs on account of lower bank limit utilisation and scheduled repayments of term loans. The financial risk profile of the company continues to remain moderate, marked by healthy net-worth, moderate gearing, and moderate debt protection metrics. Going forward, MCPL's ability to improve its scale of operations and profitability margins without deterioration in its financial risk profile and working capital cycle will remain a key rating monitorable.

**About the Company**

Maharashtra-based Manjeet Cotton Private Limited (MCPL) was incorporated in 2005 as a private limited company to consolidate the existing businesses of other group companies that had been operational since 1982. MCPL is engaged in cotton ginning, trading, exporting, and extracting cotton oil seeds, cotton seeded linting, spinning, and weaving. It is promoted by Mr. Bhupendra Rajpal, Mr. Rajendra Rajpal, and Mr. Sanchit Rajpal. It has manufacturing units in 18 cities located in the states of Madhya Pradesh, Maharashtra, Karnataka, Telangana, Odisha, and Rajasthan.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of MCPL to arrive at this rating

## Key Rating Drivers

### Strengths

#### **Established track record of operations in the cotton industry with experienced management**

MCPL has been operating since 1982 and is one of the largest cotton processors in India. MCPL was founded by Mr. Bhupendra Singh Rajpal and Mr. Rajendra Singh Rajpal, who possess more than three decades of experience in the textile industry. The promoters are also well supported by the second-generation management, led by Mr. Sanchit Rajpal. MCPL has established working relationships with a number of customers and suppliers in the domestic and international markets. MCPL has a diversified business profile marked by the processing of cotton ginning, the trading and exporting of cotton yarn to both domestic and international markets, and the extraction of cotton seed oil. Moreover, the company currently has 18 manufacturing facilities, which are located in major cotton-producing regions of India such as Madhya Pradesh, Maharashtra, Karnataka, Telangana, Odisha, and Rajasthan. Further, the proximity to raw materials ensures a steady supply of raw materials at competitive rates. The experience of its promoters and long track record of operations in the cotton industry have helped the company maintain healthy and long-term relationships with both its customers and suppliers. Furthermore, MCPL derives around 75–80 percent of its revenue from the domestic market, with the rest coming from exports. The operating income of the company stood at Rs. 3140.16 crore, against Rs. 7000.54 crore in FY22. Acuité believes that MCPL will continue to benefit from its established presence in the industry, backed by the promoters' vintage and diversified business risk profile, over the medium term.

#### **Moderate financial risk profile**

The financial risk profile of MCPL is moderate, marked by healthy net worth, moderate gearing levels, and moderate debt protection matrices. The net worth of the company is estimated to be Rs. 579.40 crore as of March 31, 2023, compared to Rs. 501.04 crore as of March 31, 2022. The estimated increase in net worth is on account of the accretion of profits to reserves. The total debt of Rs. 581.53 crore as of March 31, 2023E includes long-term borrowings of Rs. 129.04 crore, working capital borrowings of Rs. 452.49 crore, and unsecured loans of Rs. 10.32 crore. The company's overall gearing is estimated to improve to 0.98 times as of March 31, 2023E, as against 1.34 times as of March 31, 2022. The TOL/TNW is estimated to improve to 1.19 times as of March 31, 2023E, as against 1.79 times as of March 31, 2022. The debt protection metrics of the company are moderate, marked by an estimated interest coverage ratio of 5.41 times in FY23E as against 4.75 times in FY22. The DSCR is estimated to decline to 1.99 times in FY2023E against 3.79 times in FY2022 on account of the commencement of scheduled repayment of term loans availed during the previous financial years. Acuite expects MCPL's financial risk profile to remain healthy over the medium term in the absence of any major debt-funded capex plan and expected growth in revenues.

#### **Working capital efficient nature of operations, albeit elongation of cycle estimated in FY2023**

The working capital operations of MPCL have remained efficient; however, deterioration in the same is expected in FY2023E. The GCA days are estimated to be at 123 days in FY2023E, up from 61 days in FY2022 and 71 days in FY2021. The higher GCA days are on account of higher debtor and inventory levels outstanding towards the year's end. The ginning season for the company has extended beyond the usual months as the arrival of cotton in the market is continuing and is expected to continue until the onset of the monsoon. The debtor days are estimated to be 42 days in FY2023E, against 15 days in FY2022, on account of higher than usual sales levels towards the end of the year in comparison to previous years. The average credit period allowed is in the range of 15–30 days. The extension of the ginning season has also resulted in higher inventory levels towards the year's end. As a result, the inventory days are estimated to be 42 days in FY2023E, compared to 31 days in FY2022. The average utilisation of the fund-based bank limits of the company stood at 44% for the last six months ending March 2023.

Acuite believes that the ability of the company to improve its scale of operations while maintaining an efficient working capital cycle will be a key monitorable.

## **Weaknesses**

### **Susceptibility of operating performance to input price volatility**

Cotton prices are regulated by the government through the MSP (Minimum Support Price) mechanism. Profitability is susceptible to changes in the prices of raw materials. However, the selling price of the output depends on the prevailing demand-supply situation, restricting bargaining power with customers and thereby impacting margins. During FY2023, the volumes and price realisations were negatively affected on account of the limited availability of cotton in the market and lower cotton prices.

### **Competitive nature of industry and agroclimatic risk**

MCPL operates in a highly fragmented industry characterised by the presence of many unorganised players, thus limiting its pricing power. Further, the raw material availability is highly dependent upon the climatic conditions, as seed cotton is exposed to agro-climatic risks, and the production is highly dependent upon the monsoon and other climatic conditions. Higher temperatures in already hot areas may hinder cotton development and fruit formation, resulting in reduced yields and a scarcity of raw cotton.

### **ESG Factors Relevant for Rating**

In case of agricultural products industry, crop and livestock production has a substantial environmental impact. Cotton cultivation severely degrades soil quality. Conventional production practices for cotton involve the application of substantial fertilizers and pesticides. On the social front, employee health & safety management are of primary importance to this industry. Furthermore, employment quality and human rights concerns such as child labour are crucial considering the exploitative industry practices. Factors such as business ethics, management and board administration hold primary importance on the governance front. MCPL has taken up various initiatives on social and environmental causes. The company has organised different welfare programs for upliftment of farmers. It has also given financial and technical support to NGOs engaged in rendering their services to farmers. It plans to open education centres in different villages for farmer upliftment. Further, as a part of its steps towards environment sustainability, its factories are largely operated via solar power which is captive produced.

### **Rating Sensitivities**

- Ability to sustain steady growth in scale of operations and profitability, while maintaining a healthy financial risk profile.
- Further stretch in working capital cycle leading to high dependence of bank borrowings and deterioration in liquidity position.

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company is estimated to be adequate marked by healthy net cash accruals against maturing debt obligations. It is estimated to generate cash accruals in the range of Rs.80-90 crore against debt-repayment obligations of Rs.29.84 crore in FY2023E. Going forward, it is expected to generate cash accruals in the range of Rs.91 crore to 109 crore in FY24 and FY25 against maturing debt obligations of Rs.64.62 -65.24 crore respectively. The company's working capital operations are estimated to deteriorate marked by Gross Current Asset (GCA) days of 123 days in FY2023E against 61 days in FY2022. The average utilisation of the fund-based bank limits of the company stood at 44% for the last 6-months ending March 2023. Cash and bank balance stood at Rs.67.67 crore for FY2023E. The current ratio of the company is estimated to be in similar range in FY2023E as of FY2022 of 1.64 times.

**Outlook:Stable**

Acuité believes that MCPL will maintain a 'Stable' business risk profile over the medium term supported by expected improvement in scale of operations and profitability, experienced management, and long track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in its revenues while sustaining the profitability leading to improvement in financial risk profile and liquidity. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in scale of operations and profitability margins leading to significant deterioration in the financial risk profile and or any further elongation in working capital cycle leading to deterioration in the liquidity position of the company.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	7000.54	6713.19
PAT	Rs. Cr.	124.49	99.46
PAT Margin	(%)	1.78	1.48
Total Debt/Tangible Net Worth	Times	1.34	1.64
PBDIT/Interest	Times	4.75	4.07

### 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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Dec 2022	Bank Guarantee	Short Term	25.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	91.20	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Cash Credit	Long Term	83.50	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Standby Line of Credit	Short Term	13.20	ACUITE A1 (Upgraded from ACUITE A2+)
	Term Loan	Long Term	0.84	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	50.00	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Term Loan	Long Term	14.78	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Post Shipment Credit	Long Term	55.00	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Term Loan	Long Term	3.62	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Standby Line of Credit	Short Term	8.80	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Bank Facility	Long Term	7.96	ACUITE A   Stable (Upgraded from ACUITE BBB+)
	Cash Credit	Long Term	170.30	ACUITE A   Stable (Upgraded from ACUITE BBB+)
23 Sep 2022	Cash Credit	Long Term	91.20	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.84	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.62	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	25.00	ACUITE A2+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	8.80	ACUITE A2+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	170.30	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	83.50	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	25.00	ACUITE A2+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	7.96	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	50.00	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Post Shipment Credit	Long Term	55.00	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	14.78	ACUITE BBB+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	13.20	ACUITE A2+ (Downgraded and Issuer not co-operating*)
		Long		ACUITE A   Stable (Upgraded from

02 Jul 2021	Proposed Bank Facility	Term	7.96	ACUITE A-   Stable)
	Post Shipment Credit	Long Term	55.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	0.84	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Standby Line of Credit	Short Term	13.20	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	14.78	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	91.20	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	170.30	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	50.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	83.50	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	3.62	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Standby Line of Credit	Short Term	8.80	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Assigned)
13 Jul 2020	Term Loan	Long Term	18.19	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	1.75	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	170.30	ACUITE A-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	22.44	ACUITE A-   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	13.20	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	83.50	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	3.62	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A-   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	8.80	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	91.20	ACUITE A-   Stable (Reaffirmed)
04 Jun	Cash Credit	Long Term	91.20	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	3.76	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	3.38	ACUITE A-   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	13.20	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	83.50	ACUITE A-   Stable (Reaffirmed)

2020	Proposed Bank Facility	Long Term	48.76	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	190.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	20.40	ACUITE A-   Stable (Reaffirmed)
	Standby Line of Credit	Short Term	8.80	ACUITE A1 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A1   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A1   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	91.20	ACUITE A   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	170.30	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	83.50	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A   Stable   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A   Stable   Reaffirmed
Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.80	ACUITE A1   Reaffirmed
Bank of Baroda	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.20	ACUITE A1   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.63	ACUITE A   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	16.10	ACUITE A   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	01 Sep 2017	8.50	01 Sep 2027	Simple	9.46	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.33	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.68	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	31.58	ACUITE A   Stable   Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.77	ACUITE A   Stable   Assigned

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### About Acuité Ratings & Research

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