

Press Release

MORI SPINNING PRIVATE LIMITED

March 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 40.00 crore bank facilities of MORI SPINNING PRIVATE LIMITED. The outlook is '**Stable**'.

Mori Spinning Private Limited (MSPL), incorporated in the year 2016, is engaged in manufacturing of spinning yarn. It has set up an open ended spinning unit with 2208 rotors with a production capacity of 18000 Kgs of Open Ended yarn per day. The manufacturing unit is located near Somnath in the district of Amreli, Gujarat. Apart from selling in the local markets, MSPL is also exporting its material through Merchant Exporters on regular basis.

Key Rating Drivers

Strengths

• Experienced promoters

The promoter directors Mr. Manoj Mori Mr. Bharat Mori & Mr. Rajni Mori have an extensive experience of handling different businesses. Mr. Manoj Mori founder of Mori group of companies is engaged in the business of fisheries; operating fishing trawlers setting up dry fish unit & fish supply business for more than two decades. Mr. Bharat Mori has an experience of managing ice plants for more than a decade. Mr. Rajni Mori who holds a diploma in business management has an experience of business management and marketing for more than two decades. He has worked and visited countries like USA Dubai Kenya Uganda Oman for business and has exposure in marketing and export relating functions. The directors collectively look after the family's agricultural activities. For the purpose of running the spinning business MSPL has entered into a consultancy services agreement with M/s Cotspin Consultancy having experience in the area of textile industries especially into spinning. SMERA believes that the experience of all the promoters of running various businesses successfully backed with the support of technical expertise will benefit MSPL.

• Proximity to Raw Materials

The site is located strategically near to the raw material production centre of Saurashtra. Transportation of raw material would be economical. Also Rajkot and Ahmedabad being not far off from the unit the availability of skilled manpower would not be constraint. The location of the project has a ready access to main raw material i.e. cotton bales along with adequate availability of power and labor and is well connected via road and rail with easy access to other raw material.

• Proximity to Customers

MSPL is engaged in manufacturing of cotton yarn with count ranging from 12's to 20's. Open Ended yarn is predominantly used for denim fabric weaving. Low count yarns are used in a lot of industries and for a wide range of products i.e. from denim products curtains bed sheets terry towels to seat covers etc. The demand for these products is ever increasing on account of increasing population and improvement in the overall lifestyle of people. Also the manufacturing unit of MSPL is located in Amreli Gujarat which is one of the major denim hubs. Thus the company is favorably located in close proximity to its customer base.

Weaknesses

- Initial stage of operations

MSPL is exposed to risks related to initial stages of operation and geographical concentration in its revenue profile. MSPL has commenced operations from July 2017 and posted revenues to the tune of Rs.34.00 crore till January 2018. SMERA believes that the company's ability to scale up operations will remain crucial in maintaining a stable credit risk profile.

- Stiff Competition from existing players

The industry of spinning is marked by the presence of various small to large sized players who have extensive experience in the said industry. MSPL's ability to compete with these players and ability to sustain will remain one of the most crucial criteria.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MSPL

Outlook: Stable

SMERA believes that MSPL will maintain a stable outlook over the medium term on account of the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)
Operating Income	Rs. Cr.	0.00
EBITDA	Rs. Cr.	0.00
PAT	Rs. Cr.	0.00
EBITDA Margin	(%)	0.00
PAT Margin	(%)	0.00
ROCE	(%)	0.00
Total Debt/Tangible Net Worth	Times	0.00
PBDIT/Interest	Times	0.00
Total Debt/PBDIT	Times	0.00
Gross Current Assets (Days)	Days	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	32.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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ABOUT SMERA

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