

Press Release
Maruti Cotton Industries (MCI)

June 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.9.50 crore bank facilities of Maruti Cotton Industries (MCI). The outlook is '**Stable**'.

Ahmadabad-based Maruti Cotton Industries (MIC) was established in the year 2013 as a partnership firm. The company is engaged in ginning and pressing of cotton. It procures the raw material i.e. raw cotton from the local market. The company has an installed capacity of 100 Ton/day and utilize around 50 percent of its installed capacity.

Key Rating Drivers

Strengths

• **Experienced management**

Maruti Industries Limited (MIC) was established in year 2013 by partners Mr. Niraj Bhavsar, Mr. Parshottambhai Patel, Mr. Manjulaben Bhavsar, Mr. Manisha Bhavsar, Mr. Pankajbhai Prajapati & Mr. Jivanbhai Prajapati. The promoters have long experience in the aforementioned line of business.

• **Close proximity to raw material and labour**

MIC has abundant availability of raw material and labour on account of being closer to cotton growing belt of Gujarat i.e. Mahesana. The Firm also obtains raw materials from farmers in Maharashtra and Andhra Pradesh.

• **Moderate Working capital management**

The operations are working capital intensive marked by moderate Gross Current Asset (GCA) of 100 days in FY2017 compared to 142 days in FY2016. The firm has moderate debtor days of 19 in FY2017 as compared to 95 days in FY2016. Acuité believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

Weaknesses

• **Below average financial risk profile**

MIC has below average financial profile is marked by networth of Rs.2.81 crore as on 31 March 2017 as compared to Rs.2.39 crore as on 31 March 2016. The debt to equity ratio of the company stood at 3.70 times as on 31 March 2017 as compared to 5.17 times as on 31 March 2016. Further interest coverage ratio of the firm stood at 1.69 times for FY2017 as compared to 1.66 times for FY2016.

• **Operating margins are susceptible to volatility in raw material prices**

The operating margins of the company are susceptible to volatility in raw material prices of cotton.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on MCI's rated facilities will remain 'Stable' over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.55	34.26	12.62
EBITDA	Rs. Cr.	0.98	1.21	0.49
PAT	Rs. Cr.	0.03	0.02	0.01
EBITDA Margin	(%)	2.02	3.54	3.91
PAT Margin	(%)	0.05	0.06	0.10
ROCE	(%)	4.95	6.07	4.79
Total Debt/Tangible Net Worth	Times	3.70	5.17	4.50
PBDIT/Interest	Times	1.69	1.66	2.00
Total Debt/PBDIT	Times	9.20	9.70	17.91
Gross Current Assets (Days)	Days	100	142	235

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

ICRA in its press release dated 18 October, 2017 had inter-alia mentioned the following: "The rating action is based on limited information on the company's performance since the time it was last rated in March 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the company. The company's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action. As part of its process and in accordance with its rating agreement with MCI, ICRA has been trying to seek information from the company so as to monitor its performance and had also sent repeated reminders to the company for payment of surveillance fee that became overdue, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information."

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE B/Stable (Assigned)

Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B/Stable (Assigned)
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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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