

Press Release

Mothi Spinner Private Limited

August 10, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	439.05	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	73.95	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	533.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITÉ A-**' (read as **ACUITÉ A minus**) and short term rating of '**ACUITÉ A2+**' (read as **ACUITÉ A two plus**) on the Rs.459.05 crore bank facilities of Mothi Spinners Private Limited (MSPL). The outlook is 'Stable'. Further, Acuite has assigned the long-term rating of '**ACUITÉ A-**' (read as **ACUITÉ A minus**) on the Rs.73.95 crore bank facilities of Mothi Spinners Private Limited (MSPL). The outlook is 'Stable'.

The ratings continue to reflect the company's established business profile supported by its experienced management with long standing relationships with customers and suppliers. The company had registered significant revenue growth during FY22 due to restoration of normalcy against interrupted operations in FY21 due to nationwide lockdown. In addition, the rating also factors in the company's healthy financial risk profile marked by its healthy networth base and strong coverage ratios. These rating strengths are partially offset by high capital requirement and substitution risk from cotton and other man made yarns.

About the Company

Mothi Spinners Private Limited incorporated in 2000 is engaged in manufacturing of Viscose yarn. Besides regular viscose yarn, the company also manufactures viscose-flax yarn, viscose polyester, viscose cotton blend and various other types of yarn. The manufacturing facilities are located at Pallipalayam (Erode). The company is currently promoted by Mr. G. Rajamanickam, Mr. M. Chandrasekarran, Mr. G. Doraisamy, Mr. K. Subramani, Mr. K. P. Balakrishnan, and Mr. V. Srinivasan.

In FY21, the company had demerged a unit (capacity: 4 vortex machines, 23856 spindles and 3.9MW of windmill) with Chendhoor Murugan Yarn Tex India Pvt Ltd (CMYIPL). Accordingly, all the assets and liabilities pertaining to that unit was transferred to CMYIPL.

In FY22, company had added 16 vortex machines and 10 MW of solar power plant. Currently, the company has a spindle capacity of 95520 Spindles and 56 Vortex machines. The company also has 22.75 MW of windmill capacity which is used for captive consumption. Nearly 60 percent of power requirement is met by its captive solar plant and windmills.

Analytical Approach

Acuité has taken a standalone view of business and financial risk profile of MSPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management with healthy revenue growth

MSPL was promoted by Mr. G. Rajamanickam, Mr. M. Chandrasekaran, Mr. G. Doraisamy, Mr. K. Subramani, Mr. K. P. Balakrishnan and Mr. V. Srinivasan. The current management has more than three decades of experience in textile business through other group concerns. The company had incurred a capital expenditure of Rs 138 Cr in FY22 for capacity addition along with setting up a solar power plant. The same was funded through a mix of debt and equity in 2:1 ratio.

The scale of operation had witnessed a significant improvement as reflected from its revenue of Rs 854 Cr in FY22(Provisional) as against Rs 513 Cr in FY21. The improvement is driven by full year of operation as compared to 10 months of operation in FY21. Moreover, the demand for textile products had improved substantially because of rise in overseas demand on account of ongoing trade war between USA and China. This led to increase in sale volume of viscose and blended yarns. The company has undertaken another expansion capex plan of Rs 120 Cr in the current fiscal year for addition of 10 vortex machines, 23664 spindles and 2 MW of windmill capacity. The same will be funded through a mix of debt and equity in 2:1 ratio. The company has already posted a revenue of Rs 262 Cr during Q1FY23. Acuité believes the scale of operation is expected to improve over the medium term backed by capacity addition with rising demand for textile products from domestic and overseas markets.

Comfortable financial risk profile

The financial risk profile of the company is marked by healthy net worth, modest gearing and strong debt protection metrics. The net worth of the company stood at Rs.218 Cr in FY2022(Provisional) as compared to Rs. 177 Cr in FY2021. The gearing of the company rose moderately to 1.89 times as on March 31, 2022(Provisional) as compared to 1.83 times in the previous year due to its debt-led capital expenditure plan. The company has high reliance on debt because of continuous capex plans. TOL/TNW stood at 2.22 times in FY22(Provisional) as against 2.14 times in FY21. Interest coverage ratio (ICR) stood at 4.18 times in FY2022(Provisional) as against 3.17 times in FY2021. The debt service coverage ratio (DSCR) stood comfortable at 1.57 times in FY2022(Provisional) as against 1.37 times in FY2021. The net cash accruals against total debt (NCA/TD) stood at 0.22 times in FY2022 (Provisional) as compared to 0.20 times in the previous year. Acuité believes the financial risk profile of the company will improve over the medium term backed by improving trend in accruals and gradual repayment of existing term loans.

Healthy profit margins

The company has a healthy profit margin as operating margin stood at 15.71 percent in FY22(Provisional) as compared to 18.37 percent in FY21. Profit margin of the company depends on product mix during the year. Higher count yarn or blend yarn carries better margins in comparison to lower count yarn. However the PAT margin had improved to 4.80 percent in FY22(Provisional) as against 2.76 percent in FY21 on account of rise non-operating income.

With the addition of 2 MW windmill capacity in FY23 the captive source will cater to around 70 percent of company's power requirement which will help to improve the operating margin. Acuité believes the profitability will improve over the medium term backed by high operational efficiencies and low power cost.

Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive as reflected from its Gross Current Asset (GCA) days. The GCA days stood high at 136 days in FY22(Provisional) as against 180 days in FY21 because of decline in debtor days. Inventory days stood at 33 days in FY22(Provisional) as against 37 days in FY21. Acuité believes the working capital management of the company will remain at similar levels over the medium term.

Rating Sensitivities

- Significant revenue growth with improvement in profitability margin
- Timely completion of ongoing capex plan

Material covenants

None

Liquidity profile: Adequate

The company has an adequate liquidity profile as reflected from its net cash accrual of Rs 91 Cr. in FY22(Provisional) as against the current maturity of Rs 60 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 91-110 Cr as against the current maturity of around Rs 55 Cr from FY23-FY24. The working capital utilization during last 8 months ended June 2022 stood at around 91 percent. The company is planning to enhance working capital limits to meet the rising working capital requirement in line with the increase in their scale of operations. Current ratio stood comfortable at 1.62 times in FY22(Provisional). The company has also witnessed an improvement in GCA days to 136 days in FY22(Provisional) as against 180 days in FY21. Acuite believes liquidity profile will remain adequate in medium term backed by healthy cash accrual.

Outlook: Stable

Acuité believes that the outlook on the MSPL will remain 'Stable' over the medium term on account of the established presence and extensive experience of the promoters in the textile industry. The outlook may be revised to 'Positive' in case the company registers significant revenue growth along with improvement in their leverage ratios. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	854.06	513.77
PAT	Rs. Cr.	41.02	14.20
PAT Margin	(%)	4.80	2.76
Total Debt/Tangible Net Worth	Times	1.89	1.83
PBDIT/Interest	Times	4.08	3.17

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

Not Applicable

Any other information

Not Applicable

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

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Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2021	Term Loan	Long Term	14.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	33.41	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.65	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	31.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	86.09	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	29.42	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	21.00	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	30.63	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	4.36	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.38	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.26	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.96	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	54.84	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	46.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)

		Term Loan	Long Term	31.00	ACUITE A- Stable (Reaffirmed)
			Long		ACUITE A- Stable (Reaffirmed)
		Term Loan	Term	30.63	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	86.09	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	29.42	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	14.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	33.41	ACUITE A- Stable (Reaffirmed)
		Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
		Proposed Bank Facility	Long Term	3.26	ACUITE A- Stable (Reaffirmed)
		Standby Line of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
		Term Loan	Long Term	9.96	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	1.65	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	21.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	6.38	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	54.84	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	4.36	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	46.00	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	27.00	ACUITE A- Stable (Reaffirmed)
16 Apr 2021		Cash Credit	Long Term	46.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	31.00	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	33.41	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	7.00	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
		Term Loan	Long Term	29.42	ACUITE A- Stable (Reaffirmed)

31 Mar 2021	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	55.38	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	21.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.65	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Reaffirmed)
	Standby Line of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	86.09	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.05	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
07 Jan 2020	Letter of Credit	Short Term	17.00	ACUITE A2+ (Withdrawn)
	Term Loan	Long Term	27.32	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.36	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.61	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	86.76	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	52.83	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	24.75	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.49	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	8.13	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	13.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	56.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	22.50	ACUITE A- Stable (Reaffirmed)

	Term Loan	Long Term	15.30	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	40.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long	29.00	ACUITE A- Stable

01 Nov 2018		Term		(Assigned)
	Letter of Credit	Short Term	17.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	27.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	55.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	29.40	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	99.30	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	46.00	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.62	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Term Loan	31-10-2021	8.550	31-03-2028	18.93	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	18-08-2019	8.250	15-10-2024	4.52	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-08-2021	8.25	29-01-2026	5.07	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	01-04-2020	8.950	31-12-2025	3.18	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	01-12-2012	8.950	31-03-2026	14.89	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	31-03-2021	7.95	28-02-2026	7.00	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	01-10-2019	7.75	01-09-2026	18.66	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	31-03-2021	7.95	28-02-2026	14.00	ACUITE A- Stable

							Reaffirmed
Canara Bank	Not Applicable	Term Loan	30-08-2022	8	30-12-2025	2.69	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	31-03-2021	9.25	31-12-2025	19.06	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	01-12-2012	8.95	31-03-2026	1.60	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	01-12-2012	8.95	31-03-2026	10.56	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-03-2021	8.25	30-03-2029	90.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	21-12-2020	7.65	31-03-2027	27.30	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	31-03-2021	7.20	28-01-2026	5.89	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-08-2020	8.250	15-08-2024	8.24	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	31-10-2021	8.550	31-03-2028	13.59	ACUITE A- Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	01-05-2022	8.10	30-06-2030	26.63	ACUITE A- Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	29-06-2022	11.90	30-03-2029	9.50	ACUITE A- Stable Assigned
Federal Bank	Not Applicable	Term Loan	29-08-2022	11.90	30-12-2028	12.00	ACUITE A- Stable Assigned
Axis Bank	Not Applicable	Term Loan	01-04-2019	8.950	26-03-2026	37.36	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	31-12-2021	8.450	31-12-2028	30.00	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	31-01-2024	7.950	31-12-2027	15.45	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Term Loan	30-06-2021	7.950	30-05-2026	4.71	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	31-03-2021	7.50	28-02-2026	9.55	ACUITE A- Stable Reaffirmed

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