Press Release
Keshav Ginning And Pressing Factory
October 05, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.00	ACUITE BBB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	77.00	-	-

Rating Rationale
Acuite has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE t riple B)** on the Rs.77.00 Cr. bank facilities of Keshav Ginning and Pressing Factory (KGPF). The outlook is **'Stable'.**

Rationale for Rating Re-affirmation
The rating reaffirmation is on account of the moderation in operating and financial performance of Manjeet Group, marked by moderation in operating income, profitability, and a moderate financial risk profile. The revenue of the Manjeet Group stood at Rs.439.15 Cr in FY2023(Prov), compared to Rs.542.96 Cr in FY2022. The profitability of the group declined on account of lower absorption of operational costs. The operating profitability stood at 2.66 percent in FY2023(Prov.) as against 4.15 percent in FY2022 and 4.38 percent in FY2021.However, Manjeet Group is expected to mark a recovery in FY2024 as the group has achieved a revenue of around Rs.390 Cr in 5MFY2024.The financial risk profile of the company continues to remain moderate, marked by moderately high net-worth, healthy gearing and average debt protection metrics.
Further, the rating also factors in the support from the Group's flagship company i.e., Manjeet Cotton Private Limited and its promoters. The rating, however, remains constrained on account of working capital-intensive operations of the Group.

About Company
Rajasthan based Keshav Ginning and Pressing Factory (KGPF) was incorporated as a partnership firm in 2000 by Mr. Rameshwar Ramdayal Tawani and Mr. Karan Singh Rajpal. The firm is engaged in cotton ginning and pressing activities. The firm currently has 5 ginning plants located in Maharashtra out of which 3 are owned and 2 are on lease with a total installed capacity of 16,46,600 Quintals per annum. The firm has recently expanded its manufacturing capacity by installing Oil Extraction unit at Village Malewadi , Maharashtra.

About the Group
The Manjeet Group (MG) belongs to the Rajpal family of Sendhwa , Madhya Pradesh promoted by Mr. Bhupendra Rajpal, Mr. Rajendra Rajpal and Mr. Sanchit Rajpal. It is engaged into cotton trading, ginning, pressing and other allied activities. The Manjeet Group of companies includes companies such as Manjeet Fibers Private Limited, Keshav Ginning and Pressing Factory and Man Cott Private Limited. Further, Manjeet Cotton Private Limited (MCPL) is the flagship company of the Manjeet Group which is involved in the cotton trading and ginning business. The company was incorporated in 2005 as a private limited company for trading and export operations, and to consolidate the operations of other group companies which were operational since 1982. MCPL is involved in the cotton trading

business. The company also has interests in varied businesses like cotton ginning and oil extraction and also has wind-mills.

Consolidated (Unsupported) Rating
Acuite BBB-/Stable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuite has consolidated the business and financial risk profile of Manjeet Fibers Private Limited & Keshav Ginning and Pressing Factory. The consolidation is on account of the common management, similarities in the line of business and presence of significant operational and business synergies. Together these companies have been referred to as the Manjeet Group. To arrive at the final rating, Acuité has also notched up the standalone rating by factoring in the strong operational and financial support extended Manjeet Cotton Private Limited and the personal guarantees extended by the promoters of the group towards the bank facilities of all the entities.

Man-Cott Private Limited is not a part of the consolidation for this review exercise. Acuite's rating on Man Cott Pvt Ltd was withdrawn on 5th September 2022. Thereafter Acuite has not received any data and information of Man Cott Pvt Ltd for the purpose of this review. Thus, due to lack of information regarding Man Cott Pvt Ltd, it is not considered as a part of the consolidation for this review.

Key Rating Drivers

Strengths
Established presence in the cotton ginning industry and well experienced promoters.
The Manjeet Group is engaged in the cotton ginning, pressing and other ancillary activities since 1982. The promoters of the group have been associated with the cotton industry for more than three decades. The promoters of the group are well supported by experienced and qualified second line of management to run the day-to-day operations of the group. Apart from that, the flagship company of the group i.e., MCPL have been extending support whenever required by group and is expected to continue the same going ahead. The extensive experience of the promoters in the industry has helped the group in establishing its presence across the country and also helped the group to established and maintain long term relationship with its customers and suppliers over the years. Acuite believes that the group will sustain its existing business profile on back of an established presence in the cotton ginning industry and experienced management in the medium term.

Moderate financial risk profile
Manjeet Group has moderate financial risk profile marked by moderately high net-worth, healthy gearing and average debt protection metrics. The net-worth moderated to Rs. 66.26 Cr. in FY2023(Prov.) as against Rs. 69.95 Cr in FY2022 primarily due to reduction in unsecured loans considered as quasi equity on account of change in bankers' requirement in Manjeet Fibres Private Limited. The group's total debt stood at Rs.77.24 Cr as on March 31, 2023(Prov.) as against Rs. 116.43 Cr as on March 31, 2022, and Rs. 124.58 Cr as on March 31,2021. The decline in short-term debt levels in FY2023(Prov) is on account of lower utilisation of working capital limits in comparison to the previous year. The total debt of Rs. 77.24 Cr as on March 31, 2023(Prov.) includes long term debt of Rs. 3.99 Cr and short-term working capital facility from the bank of Rs. 73.25 Cr. As a result of lower debt levels, the group's gearing levels improved to 1.17 times in FY2023(Prov) against 1.66 times in FY2022. The TOL/TNW stood at 1.82 times as on March 31, 2023(Prov.) as against 1.74 times as on March 31, 2022. The reduction in profitability resulted in moderated ICR and DCSR in FY2023(Prov)which stood at 2.00 times and 1.27 times against 2.68 times and 2.16 times in FY2022 respectively. The NCA/TD stood at 0.08 times in FY2023(Prov.) as against 0.12 times in FY2022. Going ahead, the group is expected to

maintain moderate financial risk profile over the medium term on account of no major debt funded capex plan.

Proximity to raw materials

The group's manufacturing facilities are located in the states of Madhya Pradesh, Maharashtra, Telangana and Rajasthan; which are amongst the major cotton producing regions in the country. Hence, proximity to major raw material required by the group ensured steady supply of the same at competitive rates. Further, the group has location advantage in terms of low logistic costs (both on the transportation and storage) and is eligible for various subsidies and incentives from the government.

Weaknesses

Working Capital Management

The group's working capital operations are moderately intensive in nature. The GCA days stood at 111 days as on March 31, 2023(Prov.) as against 108 days as on March 31, 2022, and 150 days as on March 31, 2021. The GCA days are driven by debtor days and inventory days. The debtor days stood at 35 days as on March 31,2023(Prov.) as against 30 days as on March 31, 2022, and 48 days as on March 31, 2021. The inventory days declined to 60 days as on March 31, 2023(Prov.) as against 70 days as on March 31, 2022, and 89 days as on March 31, 2021. The creditor days stood at 10 days as on March 31,2023(Prov) as against 1 day as on March 31, 2022, and 2 days as on March 31, 2021. The group does not receive major credit period from its suppliers due to mandi regulations. The working capital limits remain moderately utilised at 63% for the last 6 months ending June 2023.
Acuite expects the working capital operations of the group to remain moderately intensive on account of the level of inventory to be maintained and the credit given to its customers.

Highly fragmented and regulated industry with intense competition

The group operates in a highly fragmented and regulated cotton industry characterized by the presence of a large number of unorganised players, thereby impacting the group's bargaining power. The prices of raw cotton are regulated by the government through MSP (Minimum Support Price) mechanism which impact the procurement of raw cotton required by the domestic ginning companies. However, the selling price of the output depends on the prevailing demand-supply situation restricting the bargaining power with customers, thereby impacting margins. Acuité believes that the group will be able to mitigate this risk to some extent on account of its promoters' experience and well established position in the market. Further, cotton being a seasonal crop and the production of the same being highly dependent upon monsoon, the group is always exposed to agro climatic risk.

Rating Sensitivities

Improving scale of operations while maintaining profitability margins.
Elongation of working capital cycle leading to stretched liquidity.

All Covenants

Not Applicable

Liquidity Position

Adequate

The liquidity position of the group remains adequate reflected by adequate net cash accruals against maturing debt obligations. The group generated NCA of Rs. 6.06 Cr in FY2023(Prov.) as against maturing debt obligations of Rs.3.48 Cr in FY2023(Prov). Going ahead, the cash accruals are expected to remain in the range of Rs.19 Cr & Rs. 20 Cr in FY24 & FY25 as against maturing debt obligations of Rs. 2.42 Cr & Rs.1.57 Cr respectively. The group's working capital operations are moderately intensive in nature. The working capital limits remain moderately utilised at 63% for the last 6 months ending June 2023. The unencumbered cash and bank balance stood at Rs. 13.11 Cr as on March 31, 2023(Prov.) as against Rs. 3.56 Cr as on March 31, 2022. The current ratio improved to 1.53 times as on March 31, 2023(Prov.) as against 1.42 times as on March 31, 2022, and 1.39 times as on March 31, 2021.
Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook:Stable
Acuité believes that Manjeet Group will maintain a 'Stable' outlook over the medium term on the back of expected recovery in the revenues expected in the near-term, vast promoter experience and well-established presence of the group in the cotton industry. The outlook may be revised to 'Positive' in case the group is able to achieve higher than expected revenues while improving its profitability and maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle, thereby impacting its liquidity or further deterioration in its financial risk profile.

Other Factors affecting Rating
Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	439.15	542.96
PAT	Rs. Cr.	3.58	11.56
PAT Margin	(%)	0.81	2.13
Total Debt/Tangible Net Worth	Times	1.17	1.66
PBDIT/Interest	Times	2.00	2.68

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

None

Any Other Information

None

Applicable Criteria

• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Group And Parent Support: https://www.acuite.in/view-rating-criteria-47.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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
05 Aug 2022	Term Loan	Long Term	6.73	ACUITE BBB | Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB | Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.27	ACUITE BBB | Stable (Reaffirmed)
07 May 2021	Cash Credit	Long Term	70.00	ACUITE BBB | Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.27	ACUITE BBB | Stable (Assigned)
	Term Loan	Long Term	6.73	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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE BBB | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.45	ACUITE BBB | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.28	ACUITE BBB | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	01 Dec 2017	Not available	01 Mar 2025	Simple	1.27	ACUITE BBB | Stable | Reaffirmed

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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.