

Press Release

Moustache Industries Private Limited

April 19, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.50	ACUITE BBB Negative Reaffirmed	-
Bank Loan Ratings	5.30	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	22.80	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and the short term rating of '**ACUITE A3+**' (read as ACUITE A three plus) to the Rs.22.80 crore of bank facilities of Moustache Industries Private Limited. The outlook is '**Negative**'.

The rating of MIPL is driven by the high working capital requirements of the business and average financial risk profile during the period. However, these are offset by the extensive experience of the management in fashion and apparel industry along with healthy profitability margin. The rating also reflects the established brand presence along with strong distribution network of the company in the domestic market.

About the Company

Established in 1984 as Moustache International Private Limited based at Kolkata, the company was acquired by Mr. Suraj Kumar Poddar, Mrs. Sushma Poddar and Mr. Rohit Kumar Poddar (Son-in-law of Mr. Ashok Kumar Todi, promoter of Lux Industries Limited, rated at Acuite AA+/Stable/A1+) in a slump sale transaction in September 2019 by floating a new entity named Moustache Industries Private Limited. The company is engaged in manufacturing of denim, shirt, t-shirt and winter wear under the brand names of 'Moustache', 'M Brand', 'Court Shop' and 'Soul'.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2005, the company has a track record of 15 years. The Director, Mr. Deepak Kumar Rungta, Mrs. Sonakshi Rungta and Mr. Firoz Abdi have experience of more than two decades in the iron & steel industry. The experienced management and the long track record of operations have helped the company to establish a healthy relationship with its customers and suppliers.

Healthy scale of operation

The revenue of the company stood healthy at Rs.174.69 crore in FY2021 as compared to Rs.184.31 crore in the previous year. This deterioration in top line during FY2021 is on account of lower capacity utilization resultant into significant dip in volume sales during the period on account nationwide lock down due to COVID-19. Currently the company has achieved the revenue of Rs.223.72 crore till 28th February 2022 (Prov.). This improvement in revenue of the company till February 2022 (Prov.) is increase in average realization per unit of sponge iron during the period. Acuité believes that the revenue of the company will increase on account of increase in steady demand of sponge in domestic market.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.43.06 crore in FY 2021 as compared to Rs. 40.92 crore in FY2020. This improvement in networth is mainly due to the retention of profit. The gearing of the company stood comfortable at 0.91 times as on March 31, 2021 when compared to 0.86 times as on March 31, 2020. This slight increase in overall gearing is on account of increase in long term debt during the period. Interest coverage ratio (ICR) is healthy and stood 2.58 times in FY2021 as against 2.92 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood healthy at 1.87 times in FY2021 as compared to 2.07 times in the previous year. The net cash accruals to total debt (NCA/TD) stood moderate at 0.13 times in FY2021 and in 0.17 times the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of healthy net cash accruals over the near term and no major debt funded capex plan.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company is marked by high GCA days of 197 days in FY2021 as compared to 168 days in FY2020. This high GCA day is mainly on account of the high inventory days of the company of 135 days in FY2021 as compared to 127 days in the previous year. The collection period of the company stood comfortable at 17 days in FY2021 as compared to 23 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Moderate profitability margin

The operating profitability margin of the company stood moderate at 5.50 percent in FY2021 as compared to 5.76 per cent in the previous year. This slight deterioration in operating profitability is on account of increase in raw material input cost during the period. Further, the operating profitability of the company has declined and stood moderate at 3.79 per cent in 11MFY2022 is mainly due to surge in raw material price during the period, which the company is not able to pass on fully due to the high competition in the domestic market. Acuité believes that the operating profitability margin of the company will improve over the near term backed by improvement in average sales realisation of sponge iron in the domestic market. The net profitability margin of the company has also stood moderate at 1.22 per cent in FY2021 as compared to 1.54 per cent in the previous year.

Rating Sensitivities

- Improvement of working capital management
- Sustenance of the financial risk profile

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.5.12 crore as against Rs.0.98 crore long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 5.68 crore to Rs. 6.91 crore during 2022-23 as against nil long term debt obligation of Rs.0.98 crore in FY2022 and in FY2023 respectively. The current ratio of the company stood comfortable at 1.68 times in FY2021. The working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 197 days in FY2021. The bank limit of the company has been ~88 percent utilized during the last six months ended in February 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against nil long debt repayments over the medium term.

Outlook: Negative

Acuité believes ASL will continue to benefit over the medium term backed by its experienced management, established track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while maintaining its working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and operating revenue leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	10.92	12.28
PAT	Rs. Cr.	0.10	0.11
PAT Margin	(%)	0.88	0.92
Total Debt/Tangible Net Worth	Times	3.13	6.18
PBDIT/Interest	Times	1.18	1.26

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

Not Applicable

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2021	Standby Line of Credit	Short Term	1.80	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.60	ACUITE BBB Negative (Assigned)
	Term Loan	Long Term	4.90	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Negative (Reaffirmed)
	Packing Credit	Short Term	3.50	ACUITE A3+ (Reaffirmed)
28 Dec 2020	Packing Credit	Short Term	3.50	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	4.70	ACUITE BBB Negative (Reaffirmed)
	Standby Line of Credit	Short Term	1.80	ACUITE A3+ (Assigned)
04 Oct 2019	Proposed Bank Facility	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Proposed Cash Credit	Long Term	9.00	ACUITE BBB 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	3.60	ACUITE BBB Negative Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB Negative Reaffirmed
State Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Term Loan	31-10-2019	9.25	30-09-2027	4.90	ACUITE BBB Negative Reaffirmed

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About Acuité Ratings & Research

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