



Press Release
Moustache Industries Private Limited
February 19, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.20	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	19.30	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	3.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	37.00	-	-

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of **ACUITE BB+ (read as ACUITE double B plus)** and the short term rating of '**ACUITE A4+ (read as ACUITE A four plus)** to the Rs.37.00 crore of bank facilities of Moustache Industries Private Limited (MIPL). The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation takes into account of extensive experience of the management in fashion and apparel industry along with strong growth in operating income. The operating income grew to Rs.40.35 Cr in FY2023 from Rs.21.65 Cr in FY2022 and Rs.10.92 Cr in FY2021. However, the operating margins declined to 7.17% in FY2023 against 12.26% in FY2022 due to inability of the company in effectively passing on the burden of increased costs to the end customers.

Further, the rating reaffirmation also reflects the established brand presence along with strong distribution network of the company in the domestic market.

However, rating is constrained on account of MIPL's high working capital requirements, below-average financial risk profile and stretched liquidity position.

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 Acuité 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 denims, t-shirt, shirts, tops, and winter wear which they mainly cater to the end users of eastern part of the country. The company is procuring fabrics from reputed suppliers like Arvind, Vijay Laskhmi, Jindal Fabrics Private Limited and others. The in-house process of the company consists of cutting, designing, ironing, stitching while the outsourcing activities will include bleaching, dying, washing etc. The finished product of the company is selling in the brand name of 'Moustache' and 'M Brand' for men and women respectively. The company has introduced two new brands 'Court Shop' and 'Soul'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Moustache Industries Private Limited (MIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The directors of the company Mr. Suraj Kumar Poddar, an advocate by profession since 1977. He was also associated with KR Lynch & Co. Pvt Ltd. a reputed company dealing with medical product and setting up of medical unit. He was also the legal consultant and advisor for different companies. The other director Mr. Rohit Poddar, was associated in different real estate projects. He has more than 15 years of experience in development, construction, infrastructure and marketing of residential and commercial projects. They are supported by Mr. Ashok Kumar Todi who is better known for the 'LUX' (rated ACUITE AA | stable, ACUITE A1+) brand and belongs to the Todi family of Kolkata is in the hosiery manufacturing business since last 6 decades. The healthy business experience of the promoters will help the company to establish its market domestically as well as internationally. Further, the extended marketing support by the Lux Industries Limited towards MIPL will aid for increased brand presence.

Improving scale of operation albeit sharp decline in operating margins

The revenue of MIPL stood at Rs.40.35 Cr in FY2023, Rs.21.65 Cr in FY2022 as against Rs.10.92 Cr in FY2021. The company reported CAGR of 92.62 percent for the last two years. The improvement in the turnover is due to MIPL's expansion mainly in eastern India and entering into the new markets. Further, the company has reported revenue of Rs.44.67 for 9MFY2024 and expects to achieve revenue of Rs.70-75 Cr in FY2024. However, the operating margin of MIPL declined YoY and stood at 7.17 percent in FY2023, 12.26 percent in FY2022 as against 23.47 percent in FY2021.

Weaknesses

Below –average financial risk profile.

The financial risk profile of the company is highly leveraged marked by low net worth, high gearing and low debt protection metrics. The net worth of the company stood average at Rs.8.84 crore in FY 2023 as compared to Rs.8.62 crore in FY2022. The gearing of the company stood high at 3.93 times as on March 31, 2023 when compared to 3.31 times as on March 31, 2022. The high gearing is primarily on account of dependence on bank borrowings to fund the working capital and long term borrowings. The total debt of Rs.34.79 consists of long term debt of Rs.4.41 Cr, USL from directors and promoters of Rs.12.14 Cr, short term debt of Rs.16.36 Cr and current maturities for long term debt of Rs.1.87 Cr as on 31 March 2023. Short term loan consists of Export packing credit and Standby line of credit. The Debt/EBITDA of the company stood high at 12.03 times as on 31 March 2023 as against 10.77 times as on 31 March 2022. The TOL/TNW stood at 6.05 times as on 31 March 2023 as against 4.62 times as on 31 March 2022. The debt protection metrics stood low with Interest coverage ratio (ICR) of the company stood moderate at 1.32 times in FY2023 as against 1.24 times in FY2022. The debt service coverage ratio (DSCR) of the company also stood low at 0.64 times in FY2023 as compared to 0.95 times in the previous year. The directors are infusing USL to meet the debt repayment obligations. The net cash accruals to total debt (NCA/TD) stood low at 0.02 times in FY2023.

Acuité believes that the ability of the company to improve its financial risk profile will remain key monitorable over the medium term.

Working capital intensive operations

The working capital management of the company is intensive in nature, marked by high Gross Current Assets (GCA) of 549 days in 31st March 2023 as compared to 791 days on 31st March 2022 with increased efficiencies in inventories and debtor management. The stretch in the GCA days is on account of stretch in the inventory and debtor period; inventory days which stood at 210 days as on March 31, 2023, even though it has improved as compared to 408 days as on 31st March 2022. High inventory is due to requirement to maintain the finished

stocks in outlets. With improved turnover, Acuite expects the inventory days' will subsequently improve.

Debtor days improved over the three years yet stood at 261 days as on March 31, 2023, as against 296 days as on 31st March 2022. The creditors days stood at 151 days as on 31st March 2023 as against 207 days as on 31st March 2022. Further, the bank limit utilisation of the company stood high at ~95.3 percent during the last twelve months ended in December 2023.

Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

Improvement of working capital management Sustenance of the financial risk profile

Liquidity Position: Stretched

The liquidity of the company is stretched marked by low net cash accruals of Rs.0.57 Cr as against Rs.2.16 Cr of long term debt repayment obligation in FY2023. The directors/ promoters are continuously infusing USL into the company to aid in the repayment of debt obligations in the near term. Going forward, the MIPL is expected to generate NCA's in the range of Rs.2.99 – 4.93 Cr in FY2024 –FY2025 as against CPLTD of Rs.1.87 – 2.02 Cr for the same years. The current ratio of the company is moderate and stood at 1.64 times in FY2023. The bank limit utilisation of the company is high and stood at ~95.3 percent during the last twelve months ended in December 2023. The working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 549 days in FY2023.

Acuité believes that the liquidity of the company is likely to improve over the medium term on account of increase in cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes MIPL will continue to benefit over the medium term backed by its experienced management, established track record of operations and improving operating performance. The outlook may be revised to 'Positive' in case the company maintains the growth momentum while improving its the operating profitability, working capital operations and the financial risk profile. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	40.35	21.65
PAT	Rs. Cr.	0.22	0.11
PAT Margin	(%)	0.55	0.51
Total Debt/Tangible Net Worth	Times	3.93	3.31
PBDIT/Interest	Times	1.32	1.24

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
10 Jul 2023	FBN/FBP/FBD/PSFC/FBE	Short Term	3.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	3.60	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	9.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	1.80	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.90	ACUITE BB+ (Downgraded and Issuer not co-operating*)
19 Apr 2022	Term Loan	Long Term	4.90	ACUITE BBB Negative (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	3.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	3.60	ACUITE BBB Negative (Reaffirmed)
	Standby Line of Credit	Short Term	1.80	ACUITE A3+ (Reaffirmed)
20 Jan 2021	Standby Line of Credit	Short Term	1.80	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	3.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.60	ACUITE BBB Negative (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	4.90	ACUITE BBB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.30	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.20	ACUITE BB+ Stable Assigned
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2024	Simple	1.10	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2027	Simple	1.80	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.50	ACUITE A4+ Reaffirmed
Indian Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+ Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2027	Simple	3.10	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	Simple	5.00	ACUITE BB+ Stable Assigned

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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.

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