

March 03, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+** (read as **SMERA B plus**) to the Rs.20.00 crore bank facilities of Man Cott Private Limited (MCPL). The outlook is 'Stable'. The rating is constrained by the company's low profitability amidst intense competition prevalent in the cotton ginning industry. The rating is also constrained by the susceptibility of the company's profit margins to volatility in raw material prices. However, the rating is supported by the company's healthy revenue growth, location-specific advantage and experienced management.

MCPL, incorporated in 2003, is a Beed based company engaged in the business of cotton ginning and pressing. MCPL's net profit margin is low at 0.74 per cent in FY2012–13 (refers to financial year, April 01 to March 31). Moreover, the company's net profit (of Rs.0.91 crore in FY2012–13) is largely supported by non-operating income of Rs.0.53crore. MCPL faces intense competition from several players in the cotton ginning industry. The company's profit margins are susceptible to volatility in prices of raw cotton.

MCPL's revenues increased at a healthy compound annual growth rate (CAGR) of 73 per cent during FY2008–09 to FY2012–13. The company's factory unit (located in Majalgaon, Maharashtra) is in proximity to raw material sourcing area. MCPL benefits from its experienced management, Mr. Bhupendra Singh Rajpal and Mr. Rajendra Singh Rajpal, directors of MCPL, have around 30 years of experience in the cotton ginning industry.

Outlook: Stable

SMERA believes that MCPL will continue to benefit over the medium term from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves significant growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues, or in case of deterioration in the company's profit margins. The outlook may also be adversely affected by unfavourable changes in government policies applicable to the company's business.

About the company

MCPL, incorporated in 2003, is a Beed based company promoted by Mr. Bhupendra Singh Rajpal and Mr. Rajendra Singh Rajpal. MCPL is a part of the Manjeet Group, which comprises nine entities engaged in the cotton trading and ginning business. MCPL has one factory unit in Majalgaon, Maharashtra, with an installed capacity of 290 bales per day. MCPL also outsources ginning and

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Man Cott Private Limited (MCPL)

Rating
Rationale

pressing operations to NCC CJ Cotton Private Limited (NCCPL) on job work basis during peak season. NCCPL has an installed capacity of 180 bales per day.

For FY2012-13, MCPL reported PAT of Rs.0.91 crore on operating income of Rs.122.89 crore, as compared with PAT of Rs.0.01 crore on operating income of Rs.92.33 crore for FY2011-12. The company registered revenues of Rs.131.59 crore during April 2013 to January 2014. MCPL's net worth stood at Rs.8.32 crore as on March 31, 2013, as compared with Rs.7.41 crore a year earlier.

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