



SMERA RATINGS LIMITED

Man Cott Private Limited (MCPL)

Rating Rationale

June 05, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA B+/ Stable (reaffirmed)

SMERA has reaffirmed the long-term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.20.00 crore bank facility of Man Cott Private Limited (MCPL). The outlook is **'Stable'**. The rating draws comfort from the company's experienced management and location specific advantage. However, the rating is constrained by the company's low profitability amidst competition in the cotton ginning industry, fluctuations in raw material prices and volatility in revenues.

Update

MCPL continues to benefit from its experienced management. The company directors, Mr. Bhupendra Singh Rajpal and Mr. Rajendra Singh Rajpal have more than three decades of experience in the cotton ginning industry. The company's manufacturing unit (located in Majalgaon, Maharashtra) is at close proximity to raw material sources.

MCPL's operating profit margin declined to 1.73 per cent in FY2013-14 (refers to financial year, April 01 to March 31) from 2.18 per cent in FY2012-13 while the interest coverage indicator registered a fall to 1.67 times in FY2013-14 from 1.90 times in FY2012-13. The company's cash credit utilisation was high at 90 per cent during the period February 2014 to December 2014. MCPL's operating income declined by ~30% in FY2014-15. The company reported net profit of Rs.0.84 crore on operating income of Rs.162.93 crore in FY2013-14, as against Rs.0.91 crore on operating income of Rs.122.89 crore in the previous year. The company's net worth stood at Rs.9.16 crore as on March 31, 2014 as compared with Rs.8.32 crore a year earlier.

Outlook: Stable

SMERA believes MCPL will continue to benefit from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and profitability. However, the outlook may be adversely affected by unfavorable changes in government regulation applicable to company's business. Accordingly, the outlook may be revised to 'Negative' if the company registers lower than expected growth in revenues or deterioration in company's profit margins.

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 that comprises nine entities engaged in the cotton ginning and trading business. The company has a manufacturing unit in Majalgaon, Maharashtra, with installed capacity of 290 bales per day.

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Rationale*

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