



Press Release

Maruti Spintex Private Limited (MSPL)

(Additional Limits)

July 09, 2020

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Term Loans	39.08	IVR BBB-/Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Cash Credit	22.50	IVR BBB-/Stable Outlook (IVR Triple B minus with Stable Outlook)	Re-affirmed
3.	Short Term Non Fund Based Facility– Bank Guarantee	5.18	IVR A3 (IVR Single A Three)	Re-affirmed
	Total	66.76		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced promoters with an established track record in the cotton industry, Proximity to cotton growing area, Investment incentive benefits and support from state & central government, Gradual shift of focus to combed yarn, Stable revenue & range bound EBITDA margin, Comfortable debt protection matrix and well managed working capital cycle. However, the rating strengths are partially offset by raw material price volatility and competition risk.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial improvement in revenue & profitability leading to sustained improvement in debt protection metrics.

Downward rating factor(s)

- Any decline in revenue & profitability leading to sustained decline in debt protection metrics.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters with an establish track record in the cotton industry

The promoters have extensive experience in the cotton industry of around two decades leading to established relationship with its customers & suppliers. The company is additionally benefitting from the backward integration of cotton ginning & pressing through its group companies. The company also has a team of experienced and capable professionals to look after the overall management.

Proximity to cotton growing area

The unit is located near major cotton growing areas in Bhavnagar District of Gujarat, resulting in easy availability of quality raw materials and savings in logistical efficiency.

Investment incentive benefits and support from state & central government

Company is eligible for many incentives & interest subventions form the state government under textile policy – 2012 as well as under TUFS. This leads to stabilise the company operation in the complete market being a new entrant.

Gradual shift of focus to combed yarn

The company is focusing on enhancing the realisation by shifting its focus to combed yarn from carded yarn which have higher realisation

Stable revenue & range bound EBITDA margin

Revenue of MSPL remained steady in FY20 (Provisional) with INR144.13 crores in comparison to FY19 at INR143.70 crores. EBITDA margin remains range bound at around 11% in the last three years ended FY20.

Comfortable debt protection matrix

The gearing ratio of MSPL stands comfortable at 1.28x in FY20 and 1.38x in FY19 Interest coverage ratio stands good at 3.60x in FY20 and 4.02x in FY19. TOL/TNW is comfortable at 1.90x in FY20 and 2.03x in FY19.

Well managed working capital cycle:



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Operating cycle of the company is moderate at 53 days in FY20 from 49 days in FY19. The company has a positive sign of non-occurrence of bad debts as MSPL follows cash and carry model. Average creditor days for FY20 is 4 days and FY19 with 3 days respectively, average collection period is 6 days for FY20 and FY19.

Key Rating Weaknesses

Raw material price volatility

The cotton processing industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The cotton processing industry is fragmented and there is significant competition among the players in the industry, as a result their bargaining power is moderate. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are vulnerable to the volatility in raw cotton prices.

Competition Risk

The cotton industry has large number of organized and unorganized players leading to high competition in the industry. The company faces stiff competition from reputed players in the industry. Also the nature of business being seasonal in nature, the main source of raw material availability varies depending upon the favorable and unfavorable climatic conditions.

Analytical Approach & Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

Overall cash accruals are sufficient to meet the repayment obligation. Further, its bank limits remained moderately utilized which shows comfortable position of the company during the past 12 months ended April, 2020. The overall liquidity position remains adequate.



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About the Company:

Maruti Spintex Private Limited (MSPL), was incorporated on August 27, 2010 as a private limited company having its registered office situated in Bhavnagar, Gujarat. The company is into spinning of cotton yarn with an installed capacity of 31488 spindles.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	145.37	146.50
EBITDA	14.92	16.24
PAT	6.18	5.57
Total Debt	52.86	58.86
Tangible Net-worth	28.97	34.53
EBITDA Margin (%)	10.26	11.09
PAT Margin (%)	4.25	3.80
Overall Gearing Ratio (x)	1.38	1.33

* Classification as per Infomerics standards

Status of non-cooperation with previous CRA: CARE has moved the rating of Maruti Spintex Private Limited into the Issuer Non-Cooperating category as per the Press Release dated March 30, 2020.

Any other information: N.A.

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (July 02, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Term Loans	Long Term	39.08	IVR BBB-/Stable	--	--	--
2.	Long Term Fund Based Facility – Cash Credit	Long Term	22.50	IVR BBB-/Stable	IVR BBB-/Stable	--	--



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3.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	5.18	IVR A3	IVR A3	--	--
	Total		66.76				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loans	NA	NA	Upto June 2027	39.08	IVR BBB-/Stable



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Long Term Fund Based Facility – Cash Credit	NA	NA	NA	22.50	IVR BBB-/Stable
Short Term Non Fund Facility – Bank Guarantee	NA	NA	NA	5.18	IVR A3