



Press Release

Mohite Industries Limited

November 23, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	86.15	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Downgraded	Simple
Short Term Bank Facilities	2.00	IVR A4+ (IVR A Four Plus)	IVR A3 (IVR A Three)	Downgraded	Simple
Total	88.15	Rupees Eighty Eight Crore and Fifteen Lakhs only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has downgraded long-term rating of IVR BB+ with stable outlook and short-term rating to IVR A4+ for the bank loan facilities of Mohite Industries Limited (MIL).

The rating has been downgraded due to continuous deterioration in financial performance of the company in H1FY2024 as compared to H1FY2023. The company performance also deteriorates in FY2023.

The rating draws comfort from its promoted by well-established Shivaji Mohite Group, moderate financial risk profile, proximity to raw material growing sources. However, these strengths are partially offset by decline in financial performance in FY2023 and H1FY2024, elongated operating cycle, customer and geographical concentration risk, exposure to agro



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climatic risks and government regulations, intense competition prevalent in the cotton industry and availability of other substitutes.

IVR has principally relied on the standalone audited financial results of MIL up to 31 March 2023, and unaudited H1FY24 results and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with TOI above Rs. 100 crore and improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.
- Sustenance of overall gearing ratio

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Promoted by well-established Shivaji Mohite Group:

Mohite Industries Limited is the part of Shivaji Mohite Group which have strong presence in Kolhapur, established in 1995, group is involved in numerous businesses such as textile manufacturing, hydro-power electricity, and infrastructure. The promoters are supported by the team of technical & qualified professionals.



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Moderate financial risk profile:

The Mohite Industries Limited has moderate leverage levels marked by the overall gearing ratio, which moderated from 0.93x as on March 31st, 2022, to 1.02x as on March 31st, 2023, on account of increase in total debt. In H1FY2024 overall gearing stood at 0.73x. The total indebtedness of the company as reflected by TOL/TNW stood at 1.10x as on March 31st, 2023, from 1.00x as on March 31st, 2022. The debt protection metrics stood comfortable marked by ISCR of 2.16 times in FY23 (FY22: 2.07x) and DSCR stood at 1.57 times in FY23 (FY22:1.52x). In H1FY024 tangible networth stood at Rs.103.06 crore.

Proximity to raw material growing sources:

The manufacturing facility is located at kholhapur, Maharashtra which is one of the major cottons producing district in the state. The society benefits from the location due to easy availability of raw material at competitive prices and low transportation cost.

B. Key Rating Weaknesses

Decline in financial performance in FY2023 and H1FY2024:

The total operating income (TOI) declined to Rs.72.71 crore in FY23 from Rs.138.61 crore in FY22 due to slow production because of modernization of spindles. In H1FY24 the TOI declined by 12.64% to Rs. 33.85 crore from Rs.38.74 crore in H1FY23. The EBIDTA margin of the company is 25.82% in FY23 (FY22: 12.15%) and PAT Margin is 4.02% in FY23 (FY22: 2.63%) The EBITDA margin improved due to low raw material consumption cost while PAT margin improved due to lower amount of depreciation and interest charged in FY23. In H1FY24 the PAT margin declined by 50.68% to Rs.0.80 crore from Rs.1.63 crore in H1FY23 mainly due to increase in interest cost.

Elongated operating cycle:

The operating cycle of the MIL remained high to 449 days in FY23 from 231 days in FY22. The moderation in working capital cycle was largely on account of higher average inventory period to 260 days in FY23 (FY22: 117 days) and higher average collection period to 201 days in FY23 (FY22: 120 days). Going forward, any deterioration in operating cycle and resultant adverse impact on the liquidity position shall remain key monitorable. Further, the company's



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fund-based working capital limits remained moderately utilised at ~72.62% during the past 12 months ended June 2023, indicating sufficient buffer to meet incremental requirements.

Customer and geographical concentration risk:

In Mohite Industries limited, the customer concentration risk is high with top two customers accounting for ~70% of the total sales in FY23. Also, the single largest customer for company accounted for ~48% of sales in FY23 and MIL is generating ~90% revenue from Maharashtra only which indicates high concentration. However, the same is mitigated by the presence of Hydro – Electricity segment as well as the presence of the company in construction segment.

Exposure to agro climatic risks and government regulations :

Cotton being an agro-commodity is susceptible to agro-climatic risks. The profit margins are highly susceptible to changes in the prices of cotton. The government through the Minimum Support Price (MSP) fixes the price of cotton. However, the purchase price depends on the prevailing demand-supply situation, which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability. Additionally, demand for yarn largely is driven by international demand supply dynamics resulting in volatile margins.

Intense competition prevalent in the cotton industry and availability of other substitutes:

MIL is exposed to intense competition prevalent in the highly fragmented cotton industry and faces stiff competition from both organised and unorganised players. Also, MIL faces risk from its substitutes such as polyester and manmade fibre.

Analytical Approach: For arriving at the ratings, IVR has analysed MIL's credit profile by considering standalone financial statements of the company.

Applicable Criteria:



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[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of the company Mohite Industries Limited is characterized by gross cash accruals of Rs.9.67 crore in FY23 vis-à-vis debt repayment obligation of Rs. 2.09 crore and free cash and cash equivalents of Rs.6.26 crore as on March 31, 2023. Further, the company's fund-based working capital limits remained moderately utilised at ~72.62% during the past 12 months ended June 2023, indicating sufficient buffer to meet incremental requirements. All these factors reflect adequate liquidity position of the company.

About the Company

Mohite Industries Ltd was established in the year 1990 by Mr. Shivaji Mohite who is the managing director of the company. It is engaged in the production of cotton yarns and generating hydroelectricity. The group is engaged in various diversified fields of agriculture, mining, automobile, and infrastructure activities. MIL possesses an established track record of more than two decades in the business and is promoted by Chairman and managing director Mr. Shivaji Mohite and Joint Managing Director Ms. Monika Mohite who have rich experience for more than two decades in the industry. The promoters are assisted by experienced management team in the field of accounts, sales, and production to carry out day -to-day operations. Mohite Industries in engaged primarily in 2 lines of business-

1. Textile (Production of cotton yarns)
2. Producing hydroelectricity among other activities.

Financials (Standalone):

(Rs. crore)



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For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	138.61	72.71
EBITDA	16.85	18.78
PAT	3.65	2.93
Total Debt	73.18	83.28
Tangible Net worth*	78.86	81.72
EBITDA Margin (%)	12.15	25.82
PAT Margin (%)	2.63	4.02
Overall Gearing Ratio (x)	0.93	1.02
Interest Coverage Ratio (x)	2.07	2.16

*as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (August 16, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	86.15	IVR BB+/Stable (Downgraded)	IVR BBB-/Stable	-	-	-
2.	Non-Fund Based	Short Term	2.00	IVR A3 (Downgraded)	IVR A3	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Covid-19 Loan	-	-	May 2025	2.49	IVR BB+/Stable
WCTL	-	-	June 2028	15.50	IVR BB+/Stable
LAP 1	-	-	May 2028	25.17	IVR BB+/Stable
LAP 2	-	-	May 2028	18,47	IVR BB+/Stable
Term Loan	-	-	May 2025	2.52	IVR BB+/Stable
Cash Credit	-	-	-	22.00	IVR BB+/Stable
Bank Guarantee	-	-	-	2.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Mohite-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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