



Press Release

Mohan Spintex India Limited

July 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	643.82	IVR BBB Stable (IVR Tripple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	53.50	IVR A3+ (IVR A three plus)	-	Assigned	Simple
Total	697.32 (Rupees Six Hundred Ninety Seven Crore Thirty Two Lakhs Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has assigned its rating to bank facilities of Mohan Spintex India Limited (MSIL). The ratings draw comfort from experienced promoter and management team, strategic location with integrated operations across value chain, diversified geographical presence and long-term relationships with reputed clientele. The rating also factor in improved financial performance in FY2024(P)(refers to period from April 1,2023 to March 31,2024). However, these rating strengths remain constrained by substantial outstanding debt in the books with high debt repayments in near term, fluctuation in raw material prices and its impact on profitability and intense competition prevalent in the cotton industry.

The outlook is stable in view of extensive experience of the promoters, the strategic location and well-integrated operations.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and/or profitability
- Sustained improvement in debt protection metrics.



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Downward Factors

- Substantial decline in revenue and profitability
- Elongation in the operating cycle and liquidity profile of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoter and Management Team**

The promoter of the company Mr Mohan Rao, is having 4 decades of experience in the cotton, textile industry and his son Mr. Sudhakar Chowdary, a technocrat is the MD of MSIL and has more than 2 decades of experience in spinning mills and textile manufacturing plant. Under his leadership, the company undertook several expansions of its capacities and forward integration into weaving segment and made ups till 2020. Besides, the promoters, MSIL is led by the qualified management team having industry experience of 15 years to smoothly operate the day-to-day operations.

- **Strategic location with integrated operations across value chain**

The manufacturing units of the company are in Krishna district which is in proximity of major cotton growing areas in Andhra Pradesh. The company mostly procures cotton from Guntur and other nearby places within 100 km radius which is the cotton growing belt of Andhra Pradesh. The company has in-house spinning, weaving, dyeing, CMT, sewing and processing division which has enabled to achieve certain levels of forward integration to its operations as 87% of yarn, 72% of griegie fabric and 37% of dyed fabric is captively consumed.

- **Diversified geographical presence with long-term relationships with reputed clientele**

The company has established long term relationships with reputed clients in domestic markets such as Lux Industries Ltd, L S Mills Limited, NMK Textile Mills India Pvt Ltd, etc and international markets including Hometex Inc, Revival New York, Welspun USA, IKEA. The long-term relationships are backed by the consistency in quality standards



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as well as timely delivery of the customized products as per customer requirements. The company generated 15% of revenue from exports to USA & South America, Israel, Europe Union, Asian countries during FY2024(P).

- **Moderate financial profile with Improved financial performance in FY 2024(P)**

The revenue of the company has grown in the past years, backed by the increase in volume sold. Additionally, the company commenced operations of Unit 4 in FY2020 further improving revenue by adding high-margin products including home textiles made ups etc. The sales volume moderated in FY2024 compared to FY2023, however, stabilising raw material prices resulted in better margins leading EBITDA to increase 2x for FY 2024(prov) compared to FY 2023. This resulted to increase in PAT margin from 1.15% in FY2023 to 6.15% in FY2024 as well as Interest Coverage ratio which improved to 3.43 for FY2024 (prov) from 0.90 for FY2023. The tangible net worth has been growing over the years fueled by accretion of profits to reserves and stood at Rs. 462.54 Cr. as on Mar 31,2024 (Prov).

Key Rating Weaknesses

- **Extensive debt financing and large short-term debt repayment**

MSIL's debt structure mainly consists of long-term loans and working capital financing. In the past few years the Company has availed several term loans under consortium for the purpose of capex, to achieve forward integration by way of setting up Weaving unit, CMT at Mallavalli. Additional term loan of Rs 40 crore was availed for setting up solar plant. The company has availed an additional WCTL of Rs 100.00 cr under consortium for shoring up of Net Working Capital. It has high debt repayment obligations in near term. Efficient working capital and liquidity management will be crucial during this period.

- **Fluctuation in raw material prices and its impact on profitability:**

The prices of cotton, a major raw material, depends on various factors such as land under cultivation, monsoon and international demand supply. Changes in cotton and cotton yarn prices can lead to unpredictable production costs, directly affecting overall



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expenses and profitability. Furthermore, the movement in cotton prices without proportionate movement in yarn and fabric prices can also impact the financials of the company. Companies may find it challenging to pass higher cotton costs onto customers, leading to decreased profitability.

- **Intense competition prevalent in the cotton industry:** The company is exposed to intense competition in the highly fragmented cotton industry with presence of organised and unorganised players. The organized sector, comprising large-scale spinning units and composite mills, accounts for approximately 75% of the installed yarn production capacity and the unorganized sector, consisting of small-scale spinning units, makes up the remaining capacity. This fragmentation results in a highly competitive industry with intense pricing pressures, which in turn leads to lower profit margins. However, the company's long track record in the industry helps the company maintain a steady relationship with the domestic as well as export customers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity :Adequate

The company's gross cash accruals are adequate vis-à-vis repayment obligations. The average working capital utilization of the company remained on the higher side at 92.21% for the past twelve months period ended March 2024 indicating a low liquidity buffer. The company has free cash and bank balance of Rs. 5.18 crore as on March 31, 2024.



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About the Company

Mohan Spintex India Limited (MSIL), incorporated as a Public Limited Company in 2005, is promoted by Mr. Mohan Rao and his son Mr. Sudhakar Chowdary. MSIL is engaged in the manufacturing of yarn, fabric, home textiles and trading of cotton & yarn. Its has four state-of-the-art manufacturing facilities at Vattigudipadu, Remalle and Mallavalli having installed capacity of 1,21,488 spindles with 100% compact spinning, 6,272 rotors, 4,800 TFO (Two-for-One) drums, 324 air jet looms and 1 lakh metres' capacity in its continuous processing range plant. The units are equipped with advanced machinery imported from Germany & Belgium for cutting, sewing and processing of fabrics. The company has also installed 10.8 MW solar roof top project in Remalle unit and commenced generating power since July 2022. As on date the company has the capacity to manufacture 2,500 tons of yarn, 30 lakhs meter processed fabric, 4.80 lakhs home textile sets and can generate around 13 lakhs unit solar power per month.

Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1042.68	1045.47
EBITDA	152.78	62.58
PAT	45.97	12.53
Total Debt	637.43	604.80
Tangible Net Worth	392.41	407.96
EBITDA Margin (%)	14.65%	5.99%
PAT Margin (%)	4.29%	1.15%
Overall Gearing Ratio (x)	1.62x	1.48x
Interest Coverage (x)	1.88x	0.90x

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

CARE moved the rating to Issuer Not Cooperating category based on best available information vide PR dated March 20, 2024 as company has not provided the requisite information needed for withdrawal of ratings/review of ratings.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Month XX, 20XX) Rating	Date (Month XX, 20XX) Rating	Date (Month XX, 20XX) Rating
1.	Term Loans	Long Term	354.07	IVR BBB Stable	-	-	-
2.	Cash Credit	Long Term	200.00	IVR BBB Stable	-	-	-
3.	WCTL	Long Term	89.75	IVR BBB Stable	-	-	-
4.	Bank Guarantee/ LC/FLC	Short Term	50.00	IVR A3+	-	-	-
5.	Forward Contract	Short Term	3.50	IVR A3+	-	-	-

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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.



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

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Annexure 1: Instrument/Facility Details

Name of Facility/	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	NA	NA	NA	Mar'26	14.86	IVR BBB Stable
Term Loans	NA	NA	NA	Sep'27	29.25	IVR BBB Stable
Term Loans	NA	NA	NA	Mar'30	116.92	IVR BBB Stable
Term Loans	NA	NA	NA	Mar'30	36.00	IVR BBB Stable
Term Loans	NA	NA	NA	Sep'25	6.84	IVR BBB Stable
Term Loans	NA	NA	NA	Sep'25	2.73	IVR BBB Stable
Term Loans	NA	NA	NA	Mar'26	12.13	IVR BBB Stable
Term Loans	NA	NA	NA	Mar'30	51.94	IVR BBB Stable
Term Loans	NA	NA	NA	Sep'27	19.96	IVR BBB Stable



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Term Loans	NA	NA	NA	Mar'30	63.44	IVR BBB Stable
WCTL	NA	NA	NA	Mar'30	50.00	IVR BBB Stable
WCTL	NA	NA	NA	Mar'30	30.00	IVR BBB Stable
WCTL	NA	NA	NA	Mar'29	9.75	IVR BBB Stable
Cash Credit	NA	NA	NA	Running Limit	75.00	IVR BBB Stable
Cash Credit	NA	NA	NA	Running Limit	79.00	IVR BBB Stable
Cash Credit	NA	NA	NA	Running Limit	40.00	IVR BBB Stable
Cash Credit	NA	NA	NA	Running Limit	6.00	IVR BBB Stable
BG/ILC/FLC	NA	NA	NA	Running Limit	50.00	IVR A3+
Forward Contract	NA	NA	NA	Running Limit	3.50	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Mohan-Spintex-30july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.