

Mohini Health & Hygiene Limited (Erstwhile Mohini Fibers Limited)

July 07, 2021

Rating

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	20.00 (Rupees Twenty Crore only)	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category; & Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)

Details of facilities in Annexure 1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 27, 2018, placed the ratings of Mohini Health & Hygiene Limited (MHHL) under the 'Issuer non-cooperating' category as MHHL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. MHHL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated May 12, 2021, May 21, 2021 and June 01, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating of the bank facilities on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. **Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

Detailed description of the key rating drivers

The rating assigned to the bank facility of MHHL has been revised on account of continued non-cooperation by MHHL in submission of requisite information to carry out review. Moreover, the revision in rating also takes into account absence of information with respect to potential loss, if any due to outbreak of fire in MHHL's manufacturing plant located at Pithampura. The rating continues to remain constrained on account of MHHL's limited track record of operations in surgical and absorbent cotton segment and its modest scale of operations and profitability.

Key Rating Weaknesses

Absence of information with respect to fire: As per the publicly available information, there was breakout of fire at MHHL's plant and registered office at Pithampura (Madhya Pradesh) on 24 May 2021. CARE does not have any information with respect to potential loss, if any and the implication of such fire on the operation of the company including liquidity.

Limited track record of operations in surgical and absorbent cotton segment: MHHL was initially engaged in cotton ginning at Gujarat and Madhya Pradesh. It had incurred sizeable capital expenditure of around Rs.46 crore during FY14 and FY15 to establish manufacturing facility of surgical, bleach and absorbent cotton. MHHL has further expanded the capacity of absorbent cotton from 4,500 metric tonne per annum (MTPA) to 6,750 MTPA during FY17. Hence, MHHL's ability to generate the envisaged returns from added capacity shall be crucial from the credit perspective.

Modest scale of operations and volatile profitability margins with net loss reported during H2FY21: The total operating income (TOI) of MHHL remained stable at around Rs.135 crore during FY21. It's PBILDT margin remained at around 12% during FY20 and FY21 compared with PBILDT margin of around 17% reported during FY19. The profitability margins are further susceptible to volatility in cotton prices apart from its presence in the highly fragmented and intensely competitive industry. Moreover, the company reported a net loss of Rs.1.84 crore during H2FY21.

Key Rating Strength

Location advantage: MHHL has commenced production of surgical, bleached and absorbent cotton which has end use in pharmaceuticals and consumer segment and hence fetches relatively higher sales realization. MHHL's presence in cotton producing region has geographical advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials.

Low leverage and adequate debt coverage indicators: TOL/TNW ratio of MHHL remained at 0.79x as on March 31, 2021 compared with 0.81x as on March 31, 2020. Further, its interest coverage ratio and Total debt/GCA also remained adequate at 4.01x and 3.11 years during FY21.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Analytical Approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in June, 2009, MHHL was promoted by Mr Sarvyapriya Bansal, Mr Snehakar Bansal and Mr. Avnish Bansal. During 2015, it was converted into public limited company as Mohni Fibers Limited. Further, in the month of May 2017, the name of the company was changed to present one. MHHL is engaged in cotton processing and manufacturing of surgical, bleached and absorbent cotton. Company has total installed capacity of 9,000 MTPA for cotton processing at Gondal, Gujarat and Pithampur, Madhya Pradesh and 6,750 MTPA for surgical, bleached and absorbent cotton segment at Pithampur. Furthermore, facilities of MFL have been certified by Global Organic Textile Standard (GOTS), Good manufacturing process (GMP) and other regulatory bodies of Europe and USA which enable it to export bleached and surgical cotton.

(Rs. Crore)

Brief Financials	FY20 (Audited)	FY21 (Audited)
Total operating income	134.33	135.61
PBILDT	17.28	17.21
PAT	6.12	5.65
Overall gearing (times)	0.59	0.47^
TOL/ TNW (times)	0.81	0.79
PBILDT Interest coverage (times)	3.75	4.01

[^]Excluding current portion of long-term debt as the same is not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Complexity level of various instruments rated for this company: Please refer Annexure - 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	April 2025	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Jun-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (09-May-19)	-
2.	Fund-based - LT/ST-Working Capital Limits	LT/ST	-	-	-	-	1)Withdrawn (09-May-19)	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact Us**Media Contact**

Mr. Mradul Mishra
 Contact No.: +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Krunal Modi
 Contact No.: 079-40265614/+91-8511190084
 Email ID – krunal.modi@careratings.com

Relationship Contact

Mr. Deepak Prajapati
 Contact No.: +91-79-4026 5656
 Email ID – deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**