

Maharaja Cotspin Limited

January 22, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	11.10	CARE C; Negative; ISSUER NOT COOPERATING* (Single C; Outlook: Negative ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term Bank Facilities	17.64	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	15.60	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	44.34 (Rs. Forty-Four Crore and Thirty-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated October 25, 2019, placed the ratings of Maharaja Cotspin Limited under the 'issuer non-cooperating' category as MCL failed to provide information for monitoring of the rating. MCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated January 19, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating 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 rating.

Outlook: Negative

The negative outlook is on account of the instances of delays in the servicing of the term debt obligations and weak liquidity position of the company. The outlook may be revised to 'Stable' if the company is able to timely repay its debt obligations, for atleast three consecutive months, while maintaining a satisfactory liquidity position.

Detailed description of the key rating drivers

At the time of last rating on October 25, 2019, the following was the rating weaknesses and strengths.

Key Rating Weaknesses

Instances of delays in the debt servicing: There had been instances of delays in the servicing of the repayment obligations for the term loans availed by the company. Further, there had also been instances of overdrawals in the fund based limits availed by the company, which were, however, settled within 30 days.

Susceptibility of margins to fluctuations in raw material prices and foreign exchange fluctuations: The operations of MCL are highly raw material intensive in nature with the material cost constituting ~70% on an average (of the total income) for the last three years. The primary raw materials of the company are polyester and acrylic fiber, prices of which are directly linked to crude oil prices which in turn are highly volatile in nature. The company usually engages in bulk procurement of raw material to avail discounts. Subsequently, sales orders are booked at prices that factor in the raw material costs. However, operations in a highly competitive industry limits the ability of the company to pass on increased costs to the customers thereby exposing the profitability margins to any adverse movement in the raw material prices. Furthermore, the company is engaged in exports and some of its raw material need is also met from outside India. Since the company is not engaged in any hedging mechanism, the profitability margins remain exposed to adverse fluctuations in the foreign exchange rates.

Customer and geographical concentration risk: The company has a concentrated revenue stream with top-5 customers contributing ~38% of the total income in FY18. Any change in the procurement policy of these customers may adversely impact the business of the company. This also exposes the company's revenue growth and profitability to its customer's future growth plans. Furthermore, the company's operations are limited to the Punjab state only, and especially to Ludhiana city, despite being in operations for around six years, thus exposing it to geographical concentration in its revenue profile.

Highly fragmented and competitive nature of the industry: The organized sector in the textile industry, consisting of large-scale spinning units and composite mills, is responsible for the majority of installed capacity of the yarn production. The unorganized sector, consisting of small scale spinning units, accounts for rest of the capacity. This leads to highly fragmented industry structure having high level of competition and intense pricing pressures on the players operating in the industry.

Key Rating Strengths

Experienced promoters: The promoters have around two decades of experience in the textile industry. The directors are further assisted by a team of professionals who are highly experienced in their respective domains.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

[Criteria for short term instruments](#)

[Liquidity analysis of Non-financial sector entities](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

About the Company

Maharaja Cotspin Limited (MCL) was incorporated in April 2010 as a closely-held public limited company, however, the operations of the company started in August-2011. The company is primarily engaged in the manufacturing of yarns and knitted fabrics at its sole manufacturing facility located at Ludhiana, Punjab with an installed capacity of 26208 spindles for yarn manufacturing and 29 circular knitted machines for knitted fabric manufacturing, as on March 31, 2018. The company is also engaged in the trading of yarns and knitted fabric. The group concerns of the company include Eshan Yarns Private Limited (EYPL; rated CARE B; Stable; Issuer Not Cooperating) which is engaged in manufacturing of polyester fabrics, M/s Maharaja Fabrics (engaged in the manufacturing of knitted fabrics from polyester yarn), M/s Maharaja Trading Company (engaged in the trading of fibers and yarn) and Maharaja Dyeing and Furnishing Mills (engaged in business of dyeing of fabrics).

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	111.20	106.95
PBILDT	12.32	11.64
PAT	1.47	1.57
Overall gearing (times)	2.83	1.63
Interest coverage (times)	2.50	2.45

A: Audited

Status of non-cooperation with previous CRA: CRISIL has suspended its rating vide press release dated May 16, 2016 on account of non-cooperation by Maharaja Cotspin Limited with CRISIL's efforts to undertake a review of the outstanding ratings.

ACUITE has conducted the review on the basis of best available information and has classified Maharaja Cotspin Limited as "Not cooperating" vide its press release dated December 23, 2019.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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-Cash Credit	-	-	-	10.00	CARE C; Negative; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	September-2022	17.64	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Line Of Credit	-	-	-	1.10	CARE C; Negative; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.60	CARE A4; ISSUER NOT COOPERATING*

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE C; Negative; ISSUER NOT COOPERATING*	-	1)CARE C; Negative; ISSUER NOT COOPERATING* (25-Oct-19) 2)CARE C; Negative (10-Sep-19)	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB; Stable (04-Aug-17)
2.	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Oct-19) 2)CARE A4 (10-Sep-19)	1)CARE A4+ (06-Sep-18)	1)CARE A4 (04-Aug-17)
3.	Fund-based - LT-Term Loan	LT	17.64	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (25-Oct-19) 2)CARE D (10-Sep-19)	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB; Stable (04-Aug-17)
4.	Fund-based - LT-Line Of Credit	LT	1.10	CARE C; Negative; ISSUER NOT COOPERATING*	-	1)CARE C; Negative; ISSUER NOT COOPERATING* (25-Oct-19) 2)CARE C; Negative (10-Sep-19)	1)CARE BB+; Stable (06-Sep-18)	1)CARE BB; Stable (04-Aug-17)
5.	Non-fund-based - ST-Bank Guarantees	ST	0.60	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Oct-19) 2)CARE A4 (10-Sep-19)	1)CARE A4+ (06-Sep-18)	1)CARE A4 (04-Aug-17)

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Line Of Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - ST-Bank Guarantees	Simple
5.	Non-fund-based - ST-Letter of credit	Simple

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

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About CARE Ratings:

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