

## Mohite Industries Limited

February 25, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	22.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Long Term / Short Term Bank Facilities	1.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable / CARE A4; (Double B; Outlook: Stable / A Four)
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>25.00</b> <b>(Rs. Twenty-Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 3, 2019, placed the rating Mohite Industries Limited (MIL) under the 'issuer non-cooperating' category as MIL had failed to provide information for monitoring of the rating. MIL continues to be non-cooperative despite repeated requests for submission of information through e-mail dated June 25, 2020, July 31, 2020, October 30, 2020, November 30, 2020, December 31, 2020, January 29, 2021, February 11, 2021 and February 22, 2021 and numerous phone calls. 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.***

The rating has been revised on account of no due diligence conducted with the auditor and non-availability of complete information due to non-cooperation by MIL with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Further, the rating takes into account its moderate scale of operations and moderate profitability margins. The rating is also constrained on account of moderate debt coverage indicators, susceptibility of profit margins to volatile raw material prices and the presence of the company in competitive and fragmented industry. The ratings however, derive strength from long track record coupled with experienced promoters in the business and comfortable capital structure.

### Detailed description of the key rating drivers

*At the time of last rating on December 3, 2019, the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings)*

#### Key Rating Weakness

**Moderate scale of operations:** The total operating income of the company declined by 14.97% to Rs. 99.15 crore in FY20 as against Rs.116.61 crore for FY19. The decline in TOI was mainly due to lower sales in the textiles segment as reflected by Y-o-Y decline of yarn and fabric sales by 15.31% for FY20. Further, during 9MFY21, the company has booked lower TOI at Rs.34.96 crore mainly due to disruption in operations of textiles division on account of COVID-19 pandemic.

**Moderate profit margins:** The profitability margins of the company marked by PBILDT margin declined by 115 Bps to 15.91% for FY20 as against 17.06% for FY19 due to lower absorption of fixed capital expenses. Further, PAT margin of the company

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

\*Issuer did not cooperate; Based on best available information

also moved in tandem and declined to 1.57% for FY20 as against 1.83% for FY19. Moreover, the company has registered net loss for 9MFY21(referring for a period from April 1, 2020 to December 31, 2020) mainly on account of curtailed operations in the textiles segment.

**Moderate debt coverage indicators:** The debt coverage indicators of the company marked by total debt to GCA deteriorated marginally and stood moderate at 11.03 times as at the end of FY20 as against 9.23 times as at the end of FY19. The deterioration was mainly on account of decline in cash accruals. However, interest coverage ratio stood stable to 1.88x in FY20(as against 1.88x for FY19). Further, the interest coverage of the company improved marginally and stood at 2.12x for H1FY21 as against 2.04x for H1FY20.

**Susceptibility of profit margins due to volatile material prices:** The raw material is the major cost driver (constituting about 65% of total cost of sales in FY20) and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of the raw cotton being major cost component amongst all raw materials is volatile in nature. Accordingly, the profitability margins of the company are susceptible to fluctuation in raw material prices. With limited ability to pass on the increase in raw material costs in a competitive operating spectrum, any substantial increase in raw material costs would affect the company's profitability.

**Presence in competitive and fragmented industry:** Company operates in a highly competitive and fragmented textile industry. The company witnesses intense competition from both the other organized and unorganized players domestically. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry

### Key Rating Strengths

**Long track record coupled with experienced promoters in the business:** MIL possesses an established track record of more 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. All the promoters are assisted by experienced management team in the field of accounts, sales and production to carry out day -to-day operations.

**Comfortable capital structure:** Capital structure of the company marked by overall gearing ratio improved and remained comfortable at 0.87x as on March 31, 2020 as against 0.92x as on March 31, 2019. The overall gearing ratio further improved and stood at 0.84x as on September 30, 2020. The improvement is mainly on account of scheduled repayment of debt obligations.

**Stretched liquidity position:** The liquidity position of the company is stretched with significant funds blocked in inventory and receivables. The gross current days position of the company deteriorated to 326 days as at the end of FY20 as against 280 days as at the end of FY19. The cash and bank balance stood modest at Rs.0.75 crore as on March 31, 2020. Further, the company has availed moratorium (as per RBI Covid-19 regulatory scheme) for deferment of interest payments for cash credit facility for the period March 2020 to August 2020.

**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](#)

[Criteria for Short Term Instruments](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[Rating Methodology – Power Generation Projects](#)

### About the Company

Mohite Industries Limited (MIL), incorporated in 1990, is promoted by Mr. Shivaji Mohite and Mrs. Monika Mohite. MIL is engaged in the manufacturing cotton yarn (constitutes 85% of total sales) and rest from generation of hydropower. Company has cotton spinning unit in Kolhapur with an installed capacity of 36000 spindles per annum. It procures raw cotton from the brokers of raw cotton situated in Maharashtra and Madhya Pradesh and premium cotton yarn is supplied to brokers situated in Mumbai and Ichalkaranji, Maharashtra. MIL has captive 10 megawatt hydropower plant at the foot of Radhanagari Dam and the generated power is used for textile unit.

Brief Financials (Rs. crore)	FY19 (Audited)	FY20 (Audited)	9MFY21(Un-Audited)
Total operating income	116.61	99.15	34.96
PBILDT	19.89	15.78	9.04
PAT	2.13	1.56	(0.83)
Overall gearing (times)	0.92	0.87	NA
Interest coverage (times)	1.88	1.88	NA

NA – Not Available

**Any other information:** Not Applicable

**Status of non-cooperation with previous CRA:**

- CRISIL vide its press release dated April 15, 2020, has placed the rating under the issuer not co-operating category on account of non-receipt of requisite information for review of the rating.
- Brickwork vide its press release dated September 29, 2020, has placed the rating under the issuer not co-operating category on account of non-receipt of requisite information for review of the rating.

**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	-	-	-	22.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	1.00	CARE B+; Stable / CARE A4; 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 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	22.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Dec-19) 2)CARE BB; Stable (16-Apr-19)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Dec-19) 2)CARE A4 (16-Apr-19)	-	-
3.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	1.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (03-Dec-19) 2)CARE BB; Stable / CARE A4 (16-Apr-19)	-	-

\*Issuer did not cooperate; Based on best available information

## Annexure-3: Detailed explanation of covenants of the rated instrument / 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.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3.	Non-fund-based - ST-Bank Guarantees	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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

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