

Mohini Health and Hygiene Limited (Erstwhile Mohini Fibers Limited)

March 27, 2018

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term/ Short- term Bank Facilities	25.00	CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable / A Four Plus; ISSUER NOT COOPERATING*)	“Issuer not cooperating; Based on best available information”
Short-term Bank Facilities	20.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	“Issuer not cooperating; Based on best available information”
Total Facilities	45.00 (Rupees Forty Five Crore only)		

Details of facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Mohini Health and Hygiene Limited (MHHL) to monitor the ratings vide e-mail communications dated January 11, 2018, March 02, 2018 and March 12, 2018 along with numerous phone calls. However, despite our repeated requests, the company has not provided requisite information for reviewing the outstanding ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on MHHL's bank facilities will now be denoted as **'CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

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

At the time of last rating on January 20, 2017, the following were the rating strengths and weaknesses (updated based on the best available information)

Key Rating Weakness

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.

Leveraged capital structure with modest debt coverage indicators: MHHL's capital structure remained leveraged as on March 31, 2017 marked by debt equity and overall gearing ratio of 1.60 and 2.69 times respectively. It was mainly account of loans availed to fund capital expenditure for manufacturing surgical cotton apart from high working capital intensity. Moreover, with modest profitability and cash accruals, the debt coverage indicators too have remained modest during FY17. However, the capital structure of the company improved during FY18 backed by infusion of equity capital of Rs.30 crore by way of Initial Public Offering (IPO).

Moderate profitability margins and working capital intensive operations: PBILDT margins although improved during FY17, continued to remain moderate. The modest profitability margins are further susceptible to volatility in cotton prices apart from its presence in the highly fragmented and intensely competitive industry. The operations of MHHL are working capital intensive due to long collection period whereas company receives relatively low credit from its suppliers thereby leading to its reliance on external borrowings.

Key Rating Strength

Experienced promoters: The promoters and executives of MHHL have over a decade of experience in cotton processing and trading of agro commodities, which has helped it in terms of raw material procurement, ease of managing day-to-day operations and marketing.

Growth in scale of operations and location advantage: The total operating income and profitability of MHHL has been consistently improving for past more than five years ended FY17. Further, during FY17 the company reported a growth of

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

14% in total operating income over FY16 whereas the net profit has almost doubled due to improvement in operating profitability. 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.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for Short-term instruments](#)

[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 MHHL 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	123.09	140.15
PBILDT	11.07	13.11
PAT	2.25	5.58
Overall gearing (times)	2.36	2.69
PBILDT Interest coverage (times)	2.26	4.67

A – Audited

As per the audited result for H1FY18, the company earned PAT of Rs.3.64 crore on total operating income of Rs.85.16 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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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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/ ST-Working Capital Limits	-	-	-	25.00	CARE BB+; Stable / CARE A4+ Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	April 2025	20.00	CARE BB+; Stable Issuer not cooperating; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	25.00	CARE BB+; Stable / CARE A4+ Issuer not cooperating; Based on best available information	-	1)CARE BB+; Stable / CARE A4+ (06-Mar-17) 2)CARE BB+; Stable / CARE A4+ (10-Feb-17)	-	-
2.	Fund-based - LT-Term Loan	LT	20.00	CARE BB+; Stable Issuer not cooperating; Based on best available information	-	1)CARE BB+; Stable (06-Mar-17)	-	-

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