

Mohini Health and Hygiene Limited (Erstwhile Mohini Fibers Limited)

May 09, 2019

Ratings

Sr. No.	Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
1	Long-term Bank Facilities	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	"Issuer not cooperating; Based on best available information"
2	Long-term/ Short-term Bank Facilities	-	-	Withdrawn
	Total Facilities	20.00 (Rupees Twenty Crore only)		

Details of instruments/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 and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MHHL continues to be non-cooperative despite repeated requests for submission of information through e-mail dated May 03, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating of the bank facility referred in serial no.1 above 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.***

Further, CARE has withdrawn the outstanding ratings of 'CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING [Double B Plus; Outlook: Stable / A Four Plus; ISSUER NOT COOPERATING]' assigned to the bank facility of MHHL referred in serial no.2 above with immediate effect. The above action has been taken at the request of MHHL and 'No Due Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

At the time of last rating on March 27, 2018, the following were the rating strengths and weaknesses (updated based on the best available information)

Key Rating Weaknesses

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.

Moderate profitability margins PBILDT margins although improved during FY18, 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 operating profitability marked by PBILDT margin further improved during FY19. PAT margin also improved during FY19, albeit remained modest due to high interest and depreciation cost on account of recently commissioned capex.

Modest liquidity: MHHL's liquidity remained modest marked by current ratio of 1.42 times as on March 31, 2018. 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 negative cash flow from operations during FY18.

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.

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

Growth in scale of operations and location advantage: The total operating income (TOI) of MHHL has been consistently improving for past three years ended FY18. During FY18 the company reported a growth of 5.66% in TOI over FY17. 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.

Improvement in capital structure and debt coverage indicators: MHHL's came up with initial public issue of its equity share and mobilised Rs.23.02 crore through public issue during FY18 which strengthened its net-worth base. Partial proceeds of the public issue were also utilised for the prepayment of the term debt. Both the factors resulted in improvement of the capital structure of MHHL marked by overall gearing ratio of 1.00 times as on March 31, 2018 as against overall gearing ratio of 2.69 times as on March 31, 2017. Further, debt coverage indicators also improved on account of improved profitability and reduction in the reliance on external borrowing.

Analytical approach: Standalone

Applicable Criteria:

[Policy on Withdrawal of ratings](#)

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

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

[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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	140.15	148.09
PBILDT	13.11	17.55
PAT	5.58	5.13
Overall gearing (times)	2.69	1.00
PBILDT Interest coverage (times)	4.67	2.65

A – Audited;

As per the abridged audited financials of FY19 submitted by the company to National Stock Exchange, MHHL reported PAT of Rs.7.67 crore on a total operating income of Rs.127.32 crore.

Status of non-cooperation with previous CRA: CRISIL vide its press release dated April 12, 2019 has moved the ratings assigned to the bank facilities of the company to issuer not cooperating category in absence of any requisite information.

Any other information: Not Applicable

Rating History for 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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****For detailed Rationale Report and subscription information, please contact us at www.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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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 not cooperating; Based on best available information
Fund-based - LT/ ST-Working Capital Limits	-	-	-	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Mar-18)	1)CARE BB+; Stable (06-Mar-17)
2.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	-	Withdrawn	-	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (27-Mar-18)	1)CARE BB+; Stable/CARE A4+ (06-Mar-17) 2)CARE BB+; Stable/CARE A4+ (10-Feb-17)

*Issuer did not cooperate; based on best available information

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