

## Mohini Health & Hygiene Limited

June 26, 2020

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	20.00 (Rupees Twenty Crore only)	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	"Issuer not cooperating; Based on best available information"

*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 June 01, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating of the bank facility 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

*At the time of last rating on May 09, 2019, the following were the rating strengths and weaknesses (updated on the basis of best available information, i.e. latest available financial results and interaction with the banker)*

### 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.

**Decline in total operating income along with moderate profitability margins:** The total operating income of MHHL declined by 13% during FY19 over FY18. PBILDT margins although improved during FY19, continued to remain moderate. The moderate profitability margins are further susceptible to volatility in cotton prices apart from its presence in the highly fragmented and intensely competitive industry. CARE notes that the company has also availed moratorium as per RBI's Covid relief measures for the payment of interest and principal on its short-term working capital limit.

### 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.

**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.

**Improvement in capital structure and debt coverage indicators:** The capital structure of MHHL improved during FY19 marked by overall gearing ratio of 0.8x as on March 31, 2019 as against overall gearing ratio of 1.0x times as on March 31, 2019. Further, debt coverage indicators also improved on account of improved profitability and reduction in the reliance on external borrowing.

<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

**Analytical approach:** Standalone

**Applicable Criteria:**

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

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

[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	FY18 (A)	FY19 (A)
Total operating income	148.09	128.31
PBILDT	17.55	21.89
PAT	5.13	8.13
Overall gearing (times)	1.00	0.80
PBILDT Interest coverage (times)	2.65	3.41

A – Audited

As per the abridged unaudited financials of H1FY20 submitted by the company to National Stock Exchange, MHHL reported PAT of Rs.3.62 crore on a total operating income of Rs.62.17 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**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-Term Loan	-	-	April 2025	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*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/ ST- Working Capital Limits	LT/ST	-	-	-	1)Withdrawn (09-May-19)	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (27-Mar-18)
2.	Fund-based - LT-Term Loan	LT	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (09-May-19)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Mar-18)

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

**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.

## Contact Us

### Media Contact

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

### Analyst Contact

Name: Krunal Modi  
Tel: 079 - 40265614  
Mobile # 8511190084  
Email: krunal.modi@careratings.com

### Business Development 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

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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](http://www.careratings.com)**