Mohite Industries Limited

December 03, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long term Bank Facilities	22.00	**CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ; Issuer not cooperating)**	**Issuer not cooperating; Based on best available information**
Short term Bank Facilities	2.00	**CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer not cooperating)**	**Issuer not cooperating; Based on best available information**
Long/Short term Bank Facilities	1.00	**CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable /A Four; Issuer not cooperating)**	**Issuer not cooperating; Based on best available information**
Total Facilities	**25.00 (Rs. Twenty Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has been seeking information from Mohite Industries Limited (MIL) to monitor the rating vide e-mail communications dated September 30, 2019, October 31, 2019, November 07, 2019, November 22, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. 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. The rating on MIL's bank facilities will now be **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.

The ratings assigned to the bank facilities of Mohite Industries Limited continue to take into account the moderate scale of operations, moderate debt coverage indicators and its stretched liquidity position. The rating is further constrained by the susceptibility of profit margins due to volatile material prices and risk associated with competitive and fragmented industry. The ratings, however, derive strength from the experienced promoters, healthy profit margins and comfortable capital structure.

Detailed description of the key rating drivers:

At the time of last rating on April 16, 2019 the following were the rating strengths and weaknesses (updated for the information available from the stock exchange):

Key Rating Weaknesses

Moderate scale of operations: The scale of operations of the company remained moderate during past four years ended FY19. Total operating income (TOI) of the company grew marginally to Rs. 116.5 crore in FY19 (vis-à-vis Rs. 103.08 crore in FY18) and declined to Rs. 52.34 crore in H1FY20 (vis-à-vis Rs. 58.16 crore in H1FY19). The decline in H1FY20 was mainly on account of slowdown in textile segment of the company.

Moderate debt coverage indicators*:* The debt coverage indicators remained moderate and marginally improved with total debt to gross cash accruals at 9.23x in FY19 vis-à-vis 10.33x in FY18. Further interest coverage ratio stood stable to 1.89x in FY19 from 1.90x in FY18. During H1FY20, interest coverage of the company stood at a slightly lower level at 2.04x vis-à-vis 2.16x in H1FY19.

Stretched liquidity position*:* Operations of MIL are working capital intensive mainly on account of funds being blocked in inventory and receivables. The liquidity remained stretched, with higher utilisation to the extent of 95-100% of working capital limit for past twelve months ended October 31, 2019. The company's free cash and bank balance remained low at Rs.0.72 crore as on March 31, 2019.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications.*
**Issuer Not Cooperating; based on best available information*

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 FY18) 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 Mrs 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.

Healthy profit margins*:* The operating profit margins of company have been healthy though fluctuating in the past three years ended FY19. The PBILDT margin stood at 16.98% in FY19 as compared to 16.72% in FY18 and PAT margin of the company stood at 1.83% as compared to 1.33%. Further during H1FY20, PBILDT margin of the company stood at 16.74% vis-à-vis 15.80% in H1FY19. The losses registered in the textile segment of the company during H1FY20 resulted in a decrease in profitability in absolute terms. During H1FY20, PAT margin of the company declined to 1.62% vis-à-vis 2.18% in H1FY19.

Comfortable capital structure: Capital structure of the company remained comfortable at 0.92x as on March 31, 2019 and stood at 0.84x as on September 30, 2019.

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]
[CARE's Methodology for Cotton Yarn Industry]
[Financial ratios – Non-Financial Sector]

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)	FY18 (A)	FY19(A)
Total operating income	103.08	116.50
PBILDT	17.23	19.78
PAT	1.37	2.13
Overall gearing (times)	0.97	0.92
Interest coverage (times)	1.90	1.89

A: Audited

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-Cash Credit	-	-	-	22.00	CARE BB; 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 BB; 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 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-Cash Credit	LT	22.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (16-Apr-19)	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	1)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 BB; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB; Stable / CARE A4 (16-Apr-19)	-	-	-

**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. 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 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 corporate 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.