

Press Release

MAHADEV YARNS PRIVATE LIMITED

October 16, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 19.00 crore bank facilities of MAHADEV YARNS PRIVATE LIMITED. The outlook is '**Stable**'.

Mahadev Yarns Private Limited (MYPL) incorporated in 1991 was promoted by Mr. Ram Kishan Mundhra and Ms Pushpa Devi Mundhra. The company is engaged in the manufacturing of texturised, non-sized and roto-yarns at Kosamba, Gujarat. MYPL has an installed capacity of 6000 tonnes per year. The utilisation stands at around 4600 tonnes per month.

Key Rating Drivers

Strengths

- **Experienced promoters**

MYPL was incorporated in 1991. The company, promoted by Mr. Ram Kishan Mundhra and Ms Pushpa Devi Mundhra has over two decades of experience in the textile industry. The promoters have developed healthy relations with customers and suppliers.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of MYPL is weak marked by low net worth of Rs. 7.82 crore as on 31 March, 2017 (Provisional) compared to Rs. 7.51 crore as on 31 March, 2016. The gearing stood at 3.05 times as on 31 March, 2017 (Provisional) compared to Rs. 3.28 times as on 31 March 2016. The Interest Coverage Ratio (ICR) improved marginally to 1.83 times in FY2017 (Provisional) as against 1.63 times in FY2016. The Debt Service Coverage Ratio (DSCR) improved marginally to 0.77 in FY2017 (Provisional) compared to 0.69 in FY2016. The DSCR is below unity mainly because MYPL's net cash accruals are not sufficient to pay its current portion of long term debt (CPLTD). SMERA expects the financial risk profile to improve marginally on account of repayment of term loan and absence of additional debt funded capex plans in the near to medium term.

- **Declining revenue trend**

The revenues of MYPL stood at Rs. 49.84 crore in FY2017 (Provisional) as against Rs. 49.68 crore in FY2016 and Rs. 70.14 crore in FY2015. For the period April 2017 to August 2017 the company booked revenue of ~Rs. 22.00 crore. The decrease in revenue is mainly due to fall in orders from customers.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA of 122 days in FY2017 (Provisional) compared to 116 days in FY2016. The GCA days are mainly dominated by debtor days of 73 days in FY2017 (Provisional) compared to 56 days in FY2016. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Competitive and fragmented industry**

The company faces intense competition from mid to big sized players in the textile industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that MYPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

MYPL reported profit after tax (PAT) of Rs. 0.12 crore on net sales of Rs. 49.84 crore in FY2017 (Provisional) as against PAT of Rs. 0.02 crore on net sales of Rs. 49.68 crore in FY2016. The net worth stood at Rs. 7.82 crore as on 31 March, 2017 (Provisional) compared to Rs. 7.51 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.52	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.76	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.71	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.71	SMERA B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

Proposed	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA B- / Stable
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ABOUT SMERA

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