



## Press Release

**M.M. Yarns Private Limited (MMYPL)**

**May 01<sup>st</sup>, 2025**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Facilities	72.18	IVR BBB-/Stable (IVR Triple B minus with stable outlook)	-	Assigned	Simple
Short Term Facilities	5.00	IVR A3	-	Assigned	Simple
<b>Total</b>	<b>77.18</b>	<b>(Rupees Seventy-Seven crore &amp; eighteen lakh only)</b>			

**Details of Facilities are in Annexure 1**

**Facility wise lender details are at Annexure 2.**

**Detailed explanation of covenants is at Annexure 3.**

### **Detailed Rationale**

Infomerics ratings has assigned the ratings to the bank facilities of M.M. Yarns Pvt. Ltd. (MMYPL). The rating derives strength from the company's experienced promoters and comfortable financial risk profile. However, the ratings are constrained by moderate profitability margins. Furthermore, the profitability remains susceptible to volatility in cotton prices and intense competition with numerous players in both the organized and unorganized segments also remain a key concern.

Stable outlook reflects Infomeric's belief that the company will benefit from experience of its promoters and maintain stable operations going forward.



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### **Key Rating Sensitivities:**

#### **Upward Factors.**

- Significant increase in scale of operations along with improvement in profitability on a sustained basis
- Better working capital management

#### **Downward Factors**

- Sustained decline in operating income and/or profitability
- Any unplanned debt funded capital expenditure leading to a deterioration in financial profile

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Extensive experience of the promoters:**

MMYPL is promoted by eight promoter directors, namely Mr. Amitkumar Patel, Mr. Bhupatbhai Bhayani, Mr. Girdhar Bhuva, Mr. Khilan Patel, Mr. Kishore Patel, Mr. Bharat Bhogra, Mr. Natwarlal Patel, and Mr. Brijesh Kumar Patel whereas Mr. Bharat Bhogra, Mr. Natwarlal Patel & Mr. Brijesh Kumar Patel look after day-to-day operations of the company. Each of them has an average experience of more than a decade in the cotton industry. Their understanding of the local market dynamics and established relationships with customers and suppliers will continue to support the business.

- **Comfortable financial risk profile**

During the last three years up to FY24 (refers to the period from April 1, 2021, to March 31, 2024) Total Operating Income (TOI) increased at CAGR of 19.05% from Rs. 361.06 crore in FY21 to Rs 605.74 crore in FY24, led by better volumetric sales despite slight moderation in realizations due to fall in cotton yarn prices. Financial risk profile is marked by comfortable adjusted tangible net worth Rs 76.30 crore as on March 31, 2024, and moderate gearing of 1.17x as on March 31, 2024. The debt protection metrics were adequate with interest coverage ratio of 3.95x for FY24. In absence of



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any debt funded capital expenditure, the financial risk profile is expected to remain stable with scheduled debt repayment.

### Key Rating Weaknesses

- **Susceptibility to volatility in cotton prices and intense competition :**

Raw material cost stood at around Rs.540 crore, which amounts around 89% of Total Operating Income of MMYPL. The raw material mainly consists of cotton, the price of which tends to fluctuate as its availability depends upon the extent of rainfall. Operating margins will remain susceptible to volatility in raw material prices as intense competition limits the ability of the company to fully pass on the hike in raw material prices to its customers.

- **Moderate profitability margins :**

The company's profitability marked by EBITDA margin declined to 4.75% in FY24, from 5.84% in FY23, amid subdued demand, continued cost pressure and low bargaining power with customers. Though the profitability is somewhat protected with saving in power cost, as 2.6MW windmill powerplant & 6.40MW solar power plant which had been setup and running from May 2022, and the power generated from these are used to meet the power requirements of MMYPL. The PAT margin remained low at 0.74% during FY24 & 0.44% in FY23.

### Analytical Approach: Standalone

#### Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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### **Liquidity – Stretched**

MMYPL's liquidity position was stretched marked by below unity DSCR in FY25. The shortfall was met by unsecured loans from promoters and other unsecured loans. Further the current ratio was moderate at 1.14x as on 31st March 2024. The average utilisation of its working capital facilities was at ~74% for the past 12 months ending February 2025, which provided some liquidity support.

### **About the Company**

Incorporated in 2014 and based in Jasdan, Rajkot, M.M. Yarns Pvt. Ltd. is engaged in cotton ginning, pressing, and yarn spinning. The company operates at an installed annual yarn production capacity of 12,000 to 13,000 metric tons and processes approximately 550 cotton bales per day. MMYPL is promoted by eight promotor directors with, Mr. Bharat Bhogra, Mr. Natwarlal Patel & Mr Brijesh Kumar Patel being the main directors involved in day-to-day operations of the company.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	459.55	605.74
EBITDA	26.85	28.77
PAT	2.03	4.47
Total Debt	88.42	89.02
Adjusted Tangible Net Worth (ATNW)	71.83	76.30
EBITDA Margin (%)	5.84	4.75
PAT Margin (%)	0.44	0.74
Overall Gearing Ratio on ATNW (x)	1.23	1.17
Interest Coverage (x)	3.76	3.95

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: None**

**Any other information: None**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1	Term Loans	Long term	12.12	IVR BBB-/Stable	-	-	-
2	GECL	Long Term	10.06	IVR BBB-/Stable	-	-	-
3	Cash Credit	Long Term	50.00	IVR BBB-/Stable	-	-	-
5	Bank Guarantee	Short Term	5.00	IVR A3	-	-	-

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### About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).



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### Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	Up to March 2027	12.12	IVR BBB-/Stable
GECL	-	-	-	Up to June 2028	10.06	IVR BBB-/Stable
Cash Credit	-	-	-	-	50.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	-	5.00	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-mmyarns-may25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).