

**Mahadev Yarns Private Limited**

October 24, 2018

**Rating**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
Long Term Bank Facilities – Term Loan	4.14	IVR BB- / Stable Outlook (IVR Double B minus with Stable Outlook)	Assigned
Long Term Bank Facilities– Cash Credit	11.36 (including proposed limits of Rs.0.36 crore)	IVR BB- / Stable Outlook (IVR Double B minus with Stable Outlook)	Assigned
Short Term Bank Facilities– Bank Guarantee	0.50	IVR A4 (IVR A Four)	Assigned
<b>Total</b>	<b>16</b>		

**Details of Facilities are in Annexure 1****Detailed Rationale**

The aforesaid rating derives comfort from its experienced promoters, variety in product offerings and wide geographical presence. However, the rating is constrained by relatively small scale of operations, moderate profitability, high gearing levels, fluctuation in raw material prices and presence in a highly competitive industry. Growth in scale of operations & profitability, working capital management and gearing level are the key rating sensitivities.

**List of Key Rating Drivers**

- Experienced promoters
- Variety in product offerings
- Wide geographical presence
- Small scale of operation & moderate profitability
- High gearing levels
- Presence in a highly competitive industry
- Fluctuation in raw material prices
- Moderate working capital intensity

## Detailed Description of Key Rating Drivers

### Key Rating Strengths

#### Experienced promoters

Mahadev Yarns commenced its operation from 1992 and accordingly has a long track record of operations over 25 years. The promoters and directors, Mr. Ram Kishan Mundhra, Mr. Nand Kishan Mundhra, Mrs. Pushpa Devi Mundhra and Mrs. Indra Devi Mundhra are well experienced in the textile sector and are actively involved in the overall operations of the company.

#### Variety in product offerings

The company manufactures texturized, non-sized and roto-yarns. Thus, the company is able to cater to different type of customers.

#### Wide geographical presence

The company has Pan India presence across Maharashtra, Gujarat, Kolkata, Punjab, Haryana and Telangana with a diversified customer base. It has a strong marketing network with around 20-25 dealers and agents. Further, the top ten clients accounted for only ~17% of the company's total operating income in FY18 indicating diversified customer base.

### Key Rating Weaknesses

#### Small scale of operation & moderate profitability

Despite its long track record, Mahadev Yarns has a modest scale of operations with total operating income of Rs.54.96 crore in FY18 and PAT of Rs.0.39 crore. The EBIDITA margins are moderate in the range of 5-6% during FY 16-18. PAT margin is low at 0.70%.

#### High gearing levels

The capital structure of the company remained stretched with the overall gearing ratio (ex-subordinate debt) at 1.95x as on March 31, 2018. Long term debt to GCA (ex-subordinate debt) also remained high at 3.72x in FY18.

## **Infomerics Valuation And Rating Pvt. Ltd.**

### **Presence in a highly competitive industry**

The textile industry in India is highly fragmented with presence of many established players in the market. The company has to compete with established brands in the market. Further, there are several unorganised players in the industry. As a result, it has to work with high pressure on margins due to the highly competitive nature of the industry.

### **Fluctuation in raw material prices**

The key raw material required for manufacturing yarn is POY (polyester oriented yarn). The prices of POY are subject to the volatility in the crude oil prices and accordingly the profit is exposed to volatility in raw material prices. The cost of raw materials comprises of a major portion of cost of goods sold and thus price volatility would expose the company to a higher risk.

### **Moderate working capital intensity**

The operating cycle of the company has generally been in the range of 90 to 100 days during FY17 and FY18 due to relatively high collection period. The average working capital utilization was high in the last 12 months ended May 31, 2018, at about 91%.

### **Analytical Approach & Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **About the Company**

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 the following three different types of polyester yarns:

- a. Texturized Yarn: It is used in making mass quantity of ready-made garments such as women's wear and men's wear like casual wear, formal wear and party wear.
- b. Non-sized yarn: Used in making elastic, bedsheet, undergarments and saree of high quality.
- c. Roto yarn: It is used in enhancing the print material on different garments

## Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	49.78	54.96
EBITDA	2.55	3.35
PAT	0.08	0.39
Total Debt #	18.49	15.59
Tangible Net worth	7.59	7.99
EBITDA Margin (%)	5.12	6.10
PAT Margin (%)	0.16	0.70
Overall Gearing Ratio (x) #	2.44	1.95

#Since the unsecured loans are subordinated and non-interest bearing, it has not been considered in Total Debt

\*Classification as per Infomerics' standards.

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

**Any other information:** Nil

## Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	4.14	IVR BB- / Stable Outlook	-	-	-
2.	Long Term Bank Facilities– Cash Credit	Long Term	11.36 (including proposed limits of Rs.0.36 crore)	IVR BB- / Stable Outlook	-	-	-
3.	Short Term Bank Facilities– Bank Guarantee	Short Term	0.50	IVR A4 (IVR A Four)	-	-	-

**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).

## Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania

Tel: (033) 46022266

Email: [hdidwania@infomerics.com](mailto:hdidwania@infomerics.com)

## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Long Term Bank Facilities–Term Loan	-	11-12%	2018-19 to 2021-22	4.14	IVR BB- / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	11.36 (including proposed limits of Rs.0.36 crore)	IVR BB- / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	0.50	IVR A4 (IVR A Four)