

March 24, 2026

MK Mills Private Limited: Ratings downgraded to [ICRA]BB(Stable)/[ICRA]A4

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	10.87	10.87	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Long-term – Fund-based – Cash credit	12.00	12.00	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Short-term – Non-fund based facilities	3.00	3.00	[ICRA]A4; downgraded from [ICRA]A4+
Total	25.87	25.87	

*Instrument details are provided in Annexure-I

Rationale

The ratings downgrade of MK Mills Private Limited (MMPL, erstwhile MYK Spinning Industries Private Limited) considers the sustained lower earnings and continued pressure on debt coverage indicators and liquidity. While revenues fell by 3.5% on a year-on-year (YoY) basis in FY2025 to Rs. 77.6 crore due to subdued demand for yarn, the operating profit margins (OPM) improved slightly by 50 basis points to 8.3% on the back favourable movement in raw material prices. However, higher interest expenses and lower earnings moderated MMPL's debt protection metrics in the last two years, particularly reflecting in interest coverage and DSCR, which remained modest at 1.9 times and 1.0 times, respectively, in FY2025 against 2.1 times and 1.0 times, respectively, in FY2024. While the debt protection metrics are likely to improve gradually with an expected recovery in profitability amid commencement of additional solar power capacity from Q3 FY2026, the same are likely to remain modest owing to sizeable repayment obligations and higher interest expense. The ratings are further constrained by the company's moderate scale of operations, which constrains the benefits arising from the economies of scale. Exposure to intense competition in the fragmented cotton spinning industry and low value-added nature of the product limit the pricing flexibility of all domestic cotton spinners, including MMPL. Further, the margins of the players in the spinning industry are exposed to volatility in cotton and yarn prices.

Nonetheless, the ratings continue to factor in MMPL's established track record and experience of the promoters in the cotton spinning industry. The ratings also favourably factor in its moderate gearing and the financial flexibility enjoyed by the company as part of the Parasakti Group of companies. Also, 30-35% of its power requirements are met from its captive sources, which support its profitability.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company will improve its earnings and coverage metrics. Further, the outlook underlines ICRA's expectations that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence in the industry – MMPL has a long operational track record of over two decades in the spinning industry, thus establishing relationships with customers, which lend stability to volumes, as witnessed over the years. Further, the long experience of the promoters, proximity to raw material sources, diversified presence across the count ranges and cost control measures (solar power) support earnings to an extent.

Captive power generation capacity limits power cost to an extent – MMPL has a 3.4-MW solar power plant within the company premises. About 30-35% of its power requirement is met from these captive sources at present, while the balance requirements are met through purchases from the state electricity grid.

Credit challenges

Modest debt protection metrics on sustained basis – Despite some improvement in OPM in FY2025 on a YoY basis, MMPL’s debt coverage indicators remained under pressure owing to weak profitability amid muted demand and debt-funded solar capacity additions and increased reliance on working capital borrowings. The key coverage indicators such as interest coverage and DSCR remained modest at 1.9 times and 1.0 times, respectively, in FY2025. Further, Total Debt/OPBDITA stood at 4.3 times as on March 31, 2025. Nevertheless, debt protection metrics are likely to gradually improve with an expected recovery in profitability amid likely reduction in additional power costs but the same may remain at modest levels amid lower earnings.

Small scale of operations – MMPL’s scale of operations continues to be modest, with the entity registering an operating income of Rs. 77.6 crore in FY2025. Modest scale of operations limits the economies of scale to an extent, constraining its business profile. Moreover, with the current capacity utilisation standing at 90-95%, the company has limited scope for volume-based revenue growth.

Fragmented nature of industry and low value-added nature of products limit pricing flexibility – MMPL faces stiff competition in the commoditised spinning industry, characterised by low product differentiation and a fragmented nature. These factors limit the company’s pricing flexibility and exert pressure on its margins. Further, the margins are impacted by the volatility in cotton and yarn prices, which are driven by the global demand-supply scenario.

Liquidity position: Stretched

The liquidity of the company is expected to remain stretched, given the limited buffer available in the working capital limits. The average utilisation of cash credit limits stood at 90.3% of the sanctioned limit of Rs. 12 crore for the last 12 months ending February 2026. The company has incurred capital expenditure of around Rs. 4.0 crore in FY2026, which was funded through bank debt of Rs. 2.0 crore and internal accruals. The company has repayment obligations of around Rs. 2.9 crore in FY2026 and around Rs. 2.4 crore in FY2027, which is expected to be serviced through internal accruals and available liquidity. The promoters are expected to bring in unsecured loans, as and when needed.

Rating sensitivities

Positive factors – ICRA could upgrade the company’s ratings, if there is a material growth in revenues and earnings leading to improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – Pressure on the ratings could arise, if there is a sustained pressure on revenues and earnings, or if any major debt-funded capital expenditure or elongation of working capital cycle adversely impacts the credit metrics and liquidity position on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Textiles - Spinning Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials.

About the company

MMPL, established in 1995, manufactures cotton yarn and markets the same in Gujarat and Maharashtra. It has an installed capacity of 31,298 spindles. The promoters of the company are Mr. P Muni Krishna (also the promoter of Parasakti Cement Industries Limited) and Mr. P Yashwanth Krishna. The promoters have business interests in two other companies, Turbovent Industries Private Limited and Parasakti Cement Industries Limited that manufacture industrial fans and cement, respectively.

Key financial indicators (Audited)

MMPL	FY2024	FY2025
Operating income	80.4	77.6
PAT	0.2	0.4
OPBDIT/OI	7.8%	8.3%
PAT/OI	0.2%	0.5%
Total outside liabilities/Tangible net worth (times)	2.1	1.9
Total debt/OPBDIT (times)	4.5	4.3
Interest coverage (times)	2.1	1.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	March 24, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based - Cash credit	Long Term	12.00	[ICRA]BB (Stable)	Dec 31, 2024	[ICRA]BB+ (Stable)	Oct 12, 2023	[ICRA]BB+ (Stable)	Sep 01, 2022	[ICRA]BB+ (Stable)
Fund-based - Term loans	Long Term	10.87	[ICRA]BB (Stable)	Dec 31, 2024	[ICRA]BB+ (Stable)	Oct 12, 2023	[ICRA]BB+ (Stable)	Sep 01, 2022	[ICRA]BB+ (Stable)
Non-fund based limits	Short Term	3.00	[ICRA]A4	Dec 31, 2024	[ICRA]A4+	Oct 12, 2023	[ICRA]A4+	Sep 01, 2022	[ICRA]A4+
Unallocated limits	Long Term			-	-	Oct 12, 2023	[ICRA]BB+ (Stable)	Sep 01, 2022	[ICRA]BB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loans	Simple
Long term – Fund -based - Cash credit	Simple
Short term - Non fund based facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2022-FY2025	NA	FY2027-FY2031	10.87	[ICRA]BB (Stable)
NA	Cash credit	NA	NA	NA	12.00	[ICRA]BB (Stable)
NA	Non fund based facilities	NA	NA	NA	3.00	[ICRA]A4

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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