

May 27, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.75	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Letter of Guarantee	2.01	SMERA A4 (Reaffirmed)

SMERA has upgraded long-term rating to '**SMERA B** (read as SMERA B)' from 'SMERA B-' (read as SMERA B minus) and reaffirmed short-term rating of '**SMERA A4** (read as SMERA A four)' to the abovementioned bank facilities of Marshall Corporation Limited (MCL). The outlook is '**Stable**'. The rating upgrade reflects significant improvement in the company's scale of operations and business risk profile.

Update

MCL registered significant improvement in its scale of operations in FY2015-16 (provisional) as a result of the installation of a fly ash processing unit that commenced operations from September 2015. This resulted in total income of Rs.27.34 crore in FY2015-16 (provisional). The company registered improvement in its financial risk profile marked by moderate gearing of 1.47 times and interest coverage ratio of 2.18 times in FY2015-16 (provisional).

The rating continues to draw support from the comfortable coverage indicators and experienced management. However, the rating is constrained by the small scale of operations and high dependence on the infrastructure and power industry. The ratings are also constrained by the weak liquidity position of the company.

MCL's interest coverage ratio is comfortable at 1.82 times in FY2014-15. The company benefits from its experienced management. The directors have around two decades of experience in the company's line of business.

However, the company's small scale of operations are marked by total income of Rs.19.97 crore in FY2014-15 (refers to financial year, April 01 to March 31). The business is susceptible to cyclicalities in the end-user industries viz. power and infrastructure. Further, the liquidity position is weak on account of stretched collection period of 140 days in FY2014-15. MCL's cash credit utilisation was high at ~99 per cent from October 2015 to March 2016. The company's drawing power (for cash credit facility) is limited to Rs.5.50 crore, against sanctioned limit of Rs.7.75 crore.

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Outlook: Stable

SMERA believes MCL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' if the company registers strong growth in revenue while achieving sustained improvement in its profitability and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or stretch in the working capital cycle.

Rating Sensitivity Factors

- Further scaling up operations while maintaining profit margins
- Improvement in the liquidity position
- Efficient working capital management

About the Company

MCL, incorporated in 1984 by Mr. Birpal Singh is a Kolkata-based company engaged in the processing, trading and export of fly ash. The company was set up to take over Marshall Corporation, a partnership firm promoted in 1971. MCL also provides transportation services and exports mainly to Bangladesh.

MCL reported net profit of Rs.0.51 crore on total income of Rs.19.97 crore in FY2014-15, as against Rs.0.26 crore on total income of Rs.17.36 crore in FY2013-14.

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