

Press Release

Marshall Corporation Limited

December 05, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.51 Cr.
Long Term Rating	ACUITE B / Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.7.51 crore of bank facilities of Marshall Corporation Limited (MCL). The outlook is '**Stable**'.

Kolkata based MCL was established in 1984 by Mr. Birpal Chauhan and is engaged in trading of fly ash and providing transportation services. From FY2015, it began processing of classified fly ash with an installed capacity of 1000 MTPD.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of MCPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The director of MCL, Mr. Birpal Chauhan has more than decades of experience in trading and processing of fly ash. This experience has resulted in establishing healthy relationship with their customers.

Moderate scale of operation

Though the company has started its operation in 1984, the revenue of the company stood moderate at Rs.30.45 crore in FY2018 as compared to Rs.26.45 crore in FY2017. Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

Weaknesses

Average financial risk profile

The average financial risk profile of the company is marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.6.70 crore in FY2018 as compared to Rs.6.55 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.56 times in FY2018 as compared to 1.37 times in FY2017. The total debt of Rs.10.46 crore is consist of long term debt of Rs. 2.70 crore, unsecured loan from promoters of Rs. 2.50 crore and short term debt of Rs. 5.26 crore. The interest coverage ratio (ICR) of the company stood healthy at 2.19 times in FY2018 as compared to 2.25 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 2.01 times in FY2018 as compared to 2.05 times in FY2017. The net cash accruals to total debt ratio has decreased to 0.13 times in FY2018 compared to 0.18 times in FY2017, mainly on account of a decline in profitability levels.

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 127 days in FY2017-18 as compared to 151 days in FY2016-17. These high GCA days emanates from collection period of 106 days in FY18. The company's operations are expected to remain capital intensive, as the company is engaged in trading and processing of fly ash, which leads to a relatively high collection period due to inherent cyclicity of the industry.

Outlook: Stable

Acuite believes that the outlook on MCL will remain 'Stable' over the medium term backed by its experienced management and healthy relations with its customer and suppliers. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales while efficiently managing its working capital cycle and improving its financial risk profile. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	30.45	26.45	27.31
EBITDA	Rs. Cr.	2.78	3.28	3.49
PAT	Rs. Cr.	0.16	0.15	(0.26)
EBITDA Margin	(%)	9.12	12.39	12.79
PAT Margin	(%)	0.52	0.57	(0.96)
ROCE	(%)	10.34	11.99	10.57
Total Debt/Tangible Net Worth	Times	1.56	1.39	1.63
PBDIT/Interest	Times	2.19	2.25	2.02
Total Debt/PBDIT	Times	3.57	2.62	2.81
Gross Current Assets (Days)	Days	127	151	142

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Sep-2017	Cash Credit	Long Term	5.50	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.01	ACUITE A4 (Reaffirmed)
27-May-2016	Cash Credit	Long Term	7.75	ACUITE B/Stable (Upgraded)
	Bank Guarantee	Short Term	2.01	ACUITE A4 (Reaffirmed)
30-Mar-2015	Cash Credit	Long Term	7.75	ACUITE B-/Stable (Assigned)
	Bank Guarantee	Short Term	2.01	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.01	ACUITE A4 (Reaffirmed)

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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