

Press Release

Marshal Textiles Private Limited

August 03, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.31 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 7.31 crore bank facilities of MARSHAL TEXTILES PRIVATE LIMITED. The outlook is '**Stable**'.

Marshal Textiles Private Limited is engaged in manufacturing of polyester yarn which has 75 percent polyester and 25 percent pressed cotton since 1995. The company operates at Erode (Tamil Nadu) with an installed capacity of 20160 spindles per annum. Besides, MTPL is also an authorized dealer of polyester staple fibre for Bombay Dyeing which contributes almost 17 percent of their revenues. MTPL is promoted by Ms. J. S. Nirmala Devi and Mr. K. P. Senthil Kumar.

Key Rating Drivers

Strengths

- **Experienced Management**

The rating continues to draw comfort from the longstanding experience of the promoters in the business. Ms. J. S. Nirmala Devi (Managing Director) and Mr. K. P. Senthil Kumar (Director) have been engaged in this business for nearly a decade. Acuité expects MTPL to continue to benefit from the promoters' ability to leverage their relationship with clients.

Weaknesses

- **Uneven revenue profile**

MTPL operates on a moderate scale with uneven revenue during the period under study. The company reported a decline in the operating income to Rs.27.63 crore in FY2017 from Rs.35.65 crore in FY2016. Further, the company has reported a turnover of Rs.33.89 crore for FY2018 (Provisional).

- **Average financial risk profile**

The financial risk profile of MTPL is average marked by low net worth of Rs. 2.77 crore as on March 31, 2018 (Provisional) as against Rs. 2.62 times as on March 31, 2017. Gearing stood high at 2.21 times as on March 31, 2018 (Provisional) as against 2.39 times as on March 31, 2017. The total debt of Rs.6.13 crore as on March 31, 2018 (Provisional) comprises of working capital borrowings to the tune of Rs.2.75 crore and term loans to the tune of Rs2.70 crore and unsecured loans to the tune of Rs.0.68 crore. Interest Coverage Ratio stood at 1.86 times for FY2018 (Provisional) as against 1.69 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 2.99 times as on March 31, 2018 (Provisional) as against 3.51 times as on March 31, 2017.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the MTPL to arrive at this rating.

Outlook: Stable

Acuité believes that MTPL will maintain a 'Stable' outlook in the medium term owing to the experience of its management in the textile business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues while maintaining its working capital cycle and improving profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of continued decline in revenue and accruals or deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.89	27.63	35.65
EBITDA	Rs. Cr.	1.22	1.13	1.32
PAT	Rs. Cr.	0.12	0.12	0.09
EBITDA Margin	(%)	3.60	4.09	3.71
PAT Margin	(%)	0.36	0.43	0.25
ROCE	(%)	9.59	9.49	10.09
Total Debt/Tangible Net Worth	Times	2.21	2.39	2.79
PBDIT/Interest	Times	1.86	1.69	1.82
Total Debt/PBDIT	Times	4.81	5.29	4.68
Gross Current Assets (Days)	Days	72	112	94

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
18-Jun-2018	Cash Credit	Long Term	INR 3.00	ACUITE B+ (Indicative)
	Working Capital Demand Loan	Long Term	INR 2.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	INR 0.75	ACUITE B+ (Indicative)
	Term Loan	Long Term	INR 1.50	ACUITE B+ (Indicative)
	Proposed Long Term Loan	Long Term	INR 0.06	ACUITE B+ (Indicative)
23-Mar-2017	Cash Credit	Long Term	INR 3.00	ACUITE B+ / Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	INR 2.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 0.75	ACUITE B+ / Stable (Reaffirmed)
	Term Loan	Long Term	INR 1.50	ACUITE B+ / Stable (Assigned)
	Proposed Long Term Loan	Long Term	INR 0.06	ACUITE B+ / Stable (Assigned)
11-Feb-2016	Secured Overdraft	Long Term	INR 5	ACUITE B+ / Stable (Reaffirmed)
	Term Loan	Long Term	INR 2.21	ACUITE B+ / Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	3.00*	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.57	ACUITE B+ / Stable
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.74	ACUITE B+ / Stable

*Inland Letter of Credit of Rs. 1.00 crore sublimit to cash credit.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 022-67141110 Simranjeet.Kaur@acuiteratings.in	

About Acuité Ratings & Research:

Acuité 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.