

Press Release

Maxican Export (ME)

22 March, 2018

Rating Assigned



Total Bank Facilities Rated	Rs. 9.00 Cr.
Short Term Rating	SMERA A4 (Assigned)

**Annexure*

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 9.00 crore bank facilities of 'MAXICAN EXPORT' (ME).

The Tamil Nadu-based Maxican Export was established as a partnership firm in 1998 by Mr. Dhanaraj. The firm manufactures home furnishing textiles, fabrics, kitchen towels, table cloth, bed spreads among others and exports the same to European countries. The manufacturing facility is located at Karur, Tamil Nadu with installed capacity of 24 lakhs meters per annum.

List of key rating drivers and their detailed description

Strengths

Experienced management and long track record of operations

ME was established as a partnership firm in 1998. The firm is promoted by Mr. Dhanaraj who possesses two decades experience in the textile industry. SMERA believes that, the firm will benefit from its experienced management and long track record of operations.

Improvement in operating margins

The operating margin improved Y-o-Y on account of decrease in material cost. The margins stood at 7.73 percent for FY2017 as against 4.96 percent for FY2016 and 4.51 percent for FY2015. The net profit margins stood at 1.44 percent for FY2017 as against 1.32 percent for FY2016.

Weaknesses

Moderate financial risk profile

ME has moderate financial risk profile marked by low net worth, moderately high gearing level and moderate debt protection metrics. Net worth stood at Rs. 3.80 crore as on 31 March, 2017 as against Rs. 3.37 crore as on 31 March, 2016. The gearing increased to 2.04 times as on March 2017 as against 1.83 times as on March 2016 due to increase in short term borrowings. The ICR (Interest Coverage Ratio) stood at 1.43 times and NCA/TD (Net cash Accruals/Total Debt) stood low at 0.05 times in FY2017. The total outside liabilities and total net worth (TOL/TNW) stood at 2.61 times as 31 March, 2017 as against 2.30 times as on 31 March, 2016.

Working capital intensive operations

The operations are working capital intensive with GCA (Gross Current Asset) days of 333 for FY2017 and 214 days in the previous year. This was due to high inventory holding period of 262 days for FY2017 and 149 days for FY2016. Further, the debtor days stood at 64 in FY2017 as against 60 days in FY2016. The working capital limit utilisation stood around 90 percent during six months ended January 2018.

Competitive and fragmented industry

ME operates in a highly fragmented textile industry wherein the presence of a large number of domestic and international players limits its bargaining power with customers.

Analytical Approach

For analytical purposes, SMERA has considered the standalone business and financial risk profile of ME.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	12.24	14.85	12.68
EBITDA	Rs. Cr.	0.95	0.74	0.57
PAT	Rs. Cr.	0.18	0.20	0.19
EBITDA Margin	(%)	7.73	4.96	4.51
PAT Margin	(%)	1.44	1.32	1.46
ROCE	(%)	8.42	7.23	11.48
Total Debt/Tangible Net Worth	Times	2.04	1.83	2.05
PBDIT/Interest	Times	1.43	1.69	1.86
Total Debt/PBDIT	Times	7.62	7.57	9.71
Gross Current Assets (Days)	Days	333	214	250

Status of non-cooperation with previous CRA

As article date 31 December 2016, Brickwork Ratings invites reference to the Rating Rationale published in August 2013 in respect of the Rating of BWR A4 assigned to the Bank Loan Facilities of ' 5.55 Crs (Rupees Five Crores and Fifty Five Lakhs Only) of M/s Maxican Exports. The Rating was due for annual review in August 2014. Brickwork Ratings would like to inform that M/s Maxican Exports have not provided required information for carrying out a review of the Rating, despite close follow up and hence the said Rating is not reviewed.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instruments-

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

Rating History (last three years)

Not Applicable

* Annexure – Details of instruments rated

Name of the facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

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ABOUT SMERA

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