

**February 03, 2014**

| Facilities  | Amount (Rs. Crore) | Rating                     |
|-------------|--------------------|----------------------------|
| Cash Credit | 4.00               | SMERA B-/Stable (Assigned) |
| Term Loan   | 2.21               | SMERA B-/Stable (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B-' (read as SMERA B minus)** to the Rs.6.21 crore bank facilities of Marshal Textiles Private Limited (MTPL). The outlook is '**Stable**'. The rating is constrained by the company's small scale of operations and high level of customer concentration amidst intense competition prevalent in the synthetic yarn manufacturing industry. The rating is also constrained by the company's high leverage, declining operating profit margins, accumulated losses and susceptibility to raw material price volatility. The rating factors in the past instances of delays in repayment of the company's term loan obligation. However, the rating is supported by the company's experienced management.

MTPL, incorporated in 1995, is an Erode-based company engaged in manufacturing of synthetic yarn (blended yarn). MTPL is also an authorized distributor of polyester staple fibre (PSF) manufactured by Indo Rama Synthetics (India) Limited. MTPL has small-scale operations with revenues of Rs.28.12 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the yarn manufacturing industry. MTPL is also exposed to customer concentration risk as the company derives about 75 per cent of its total revenues from two customers.

MTPL has weak debt protection metrics as reflected in low net worth of Rs.2.17 crore and high leverage at 3.22 times as on March 31, 2013. MTPL's total debt (of Rs.6.99 crore as on March 31, 2013) includes interest-free unsecured loans of Rs.0.86 crore. The company has accumulated losses of Rs.0.28 crore as on March 31, 2013, mainly due to net loss of Rs.0.35 crore and Rs.0.16 crore incurred in FY2008-09 and FY2011-12, respectively. MTPL's profitability is exposed to raw material price volatility. The company's operating profit margin declined from 7.95 per cent in FY2010-11 to 5.01 per cent in FY2012-13, mainly on account of increase in raw material cost.

MTPL was irregular in repayment of its term loan obligations in the past. However, the company has made timely repayments of its term loan obligations during October 2013 to December 2013.

MTPL benefits from its experienced management. Mr. K. P. Senthil Kumar, director of MTPL, has around two decades of experience in the synthetic yarn manufacturing industry.

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**Marshal Textiles Private Limited (MTPL)****Outlook: Stable**

SMERA believes the outlook on MTPL's rated facilities will remain stable over the medium term on account of the company's experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers a substantial improvement in its scale of operations, operating profit margins and leverage. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intense competition in its area of operation or in case of deterioration in the company's financial risk profile on account of larger-than-envisioned debt funded capital expenditure.

**About the company**

MTPL, incorporated in 1995, is an Erode-based company promoted by Mr. K. P. Senthil Kumar. MTPL is engaged in manufacturing of synthetic yarn (blended yarn). The company is also an authorised distributor of trading of polyester staple fibre (PSF) manufactured by Indo Rama Synthetics (India) Limited. MTPL has a manufacturing unit in Erode (Tamil Nadu), with an installed capacity of ~17,000 spindles.

For FY2012-13, MTPL reported net loss of Rs.0.01 crore on operating income of Rs.28.12 crore, as compared with net loss of Rs.0.16 crore on operating income of Rs.20.55 crore for FY2011-12. MTPL's net worth stood at Rs.2.17 crore as on March 31, 2013, as compared with Rs.2.17 crore a year earlier.

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