

November 28, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA B+/ Stable (upgraded from SMERA B-/Stable)
Term Loan	2.21	SMERA B+/ Stable (upgraded from SMERA B-/Stable)

SMERA has upgraded the rating on the Rs.6.21 crore long-term bank facilities of Marshal Textiles Private Limited (MTPL) to '**SMERA B+**' (read as **SMERA single B plus**) from '**SMERA B-**' (read as SMERA single B minus). The outlook is '**Stable**'. The upgrade is in view of the strong revenue growth registered by the company. The rating remains constrained by the company's exposure to customer concentration risk in an intensely competitive segment of the textile industry. The rating is also constrained by the company's high leverage and low coverage indicators. The rating notes that the company's profit margins are susceptible to raw material price volatility. However, the rating is supported by the company's long track record of operations and experienced management.

Update

MTPL registered higher-than-expected growth in revenues on the back of higher capacity utilisation (aided by improvement in power supply in Tamil Nadu) and increased focus on high quality products. The company's revenues increased from Rs.28.12 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.42.73 crore in FY2013-14. Further, MTPL registered revenue of Rs.32.60 crore (as per sales tax returns) during April 2014 to September 2014. The company's operating profit margin declined from 5.01 per cent in FY2012-13 to 3.86 per cent in FY2013-14 on account of increase in operating expenses. MTPL reported net profit margin of 0.48 per cent in FY2013-14. The company's net worth stood at Rs.2.43 crore as on March 31, 2014, as compared with Rs.2.17 crore a year earlier. MTPL has made timely repayment of its term loan obligation during the last one year.

MTPL's gearing (debt-equity ratio) remained high at 2.88 times as on March 31, 2014. The company's debt service coverage ratio (DSCR) is low at 0.92 times in FY2013-14, as compared with 1.01 times a year earlier. MTPL remains exposed to customer concentration risk. The company derived ~79 per cent of its total revenues (in FY2013-14) from two customers.

MTPL continues to benefit from its experienced management. Mr. K. P. Senthil Kumar, director of MTPL, has around two decades of experience in the company's line of business.

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Outlook: Stable

SMERA believes the outlook on MTPL's rated facilities will remain stable over the medium term on account of the company's long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while achieving significant improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues or profitability, or in case of deterioration in the company's financial risk profile.

About the company

MTPL, incorporated in 1995, is an Erode-based company promoted by Mr. K. P. Senthil Kumar. MTPL manufactures synthetic yarns (blended yarns). The company is an authorised distributor of polyester staple fibre (PSF) manufactured by Indo Rama Synthetics (India) Limited. MTPL has a manufacturing unit in Erode (Tamil Nadu), with installed capacity of ~17,184 spindles.

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