



SMERA RATINGS LIMITED

Marshal Textiles Private Limited (MTPL)

*Rating
Rationale*

February 11, 2016

Facilities	Amount (Rs. Crore)	Rating
Bank Overdraft	5.00 (Enhanced from Rs. 4.00 crore)	SMERA B+/Stable (Reaffirmed)
Term Loan	2.21	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B+**' (read as **SMERA B plus**) on the above mentioned bank facilities of Marshal Textiles Private Limited (MTPL). The outlook is '**Stable**'. The rating is supported by the company's long track record of operations and experienced management. However, the rating continues to be constrained by the high leverage and moderate coverage indicators. The rating is also constrained by susceptibility of the profit margins to volatility in raw material prices and exposure to customer concentration risk in an intensely competitive segment of the textile industry.

Rating Sensitivity Factors

- Sustained improvement in revenue and profit margins
- Improvement in the capital structure and coverage indicators
- Deterioration in the working capital cycle

Outlook – Stable

SMERA believes that 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' if it registers substantial growth in revenues and profitability while achieving significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the revenues/profitability or 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. The company manufactures synthetic yarn (blended) at its manufacturing unit at Erode, Tamil Nadu. It is also an authorised distributor of polyester staple fibre (PSF) manufactured by Indo Rama Synthetics (India) Limited.

For FY2014-15, MTPL reported profit after tax (PAT) of Rs.(0.02) crore on operating income of Rs.54.36 crore as against PAT of Rs.0.21 crore on operating income of Rs.42.73 crore in FY2013-14. The tangible net worth of the company stood at Rs.2.41 crore in FY2014-15 as against Rs.2.43 crore in FY2013-14.

SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.



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