

Press Release

Marshal Textiles Private Limited (MTPL)

March 23, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.31 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 3.75 crore bank facilities and assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs 3.56 crore bank facilities of Marshal Textiles Private Limited (MTPL). The outlook is '**Stable**'.

MTPL, incorporated in 1995 was promoted by Ms. J. S. Nirmala Devi and Mr. K. P. Senthil Kumar. The company is engaged in the manufacturing of synthetic yarn (blended yarn) and trading of polyester staple fibre (PSF). It is also an authorised dealer of Indo Rama Synthetics India Limited and offers 100 percent polyester and polyester/cotton blended yarns.

List of key rating drivers and their detailed description

Strengths:

Experienced management and established operational track record: Mr. Senthilkumar, Promoter and Director, has more than two decades of experience in the said line of business and has been running this company for 20 years. The company has been manufacturing synthetic yarn (100 per cent polyester and polyester/cotton blended yarn) and trades in Polyester Staple Fibre (PSF) since 1995. Owing to its established track record of operations, it has been able to maintain healthy relations with its suppliers and customers.

Weaknesses:

Uneven revenue: The company registered operating income of Rs. 35.66 cr in FY2015-16 as against Rs. 54.36 cr in FY2014-15 and Rs.42.73 cr in FY2013-14. The uneven revenue trend is due to fluctuations in the prices of raw material and instability in the textile industry. The scale of operations is small inspite of the long track record of operations of over two decades.

Profitability susceptible to volatility in raw material prices: The company is exposed to volatility in raw material prices (cotton) as a result of which the operating margins have declined to 3.72 per cent in FY2015-16 from 4.34 per cent in FY2014-15.

Average financial risk profile: The gearing stood at 2.79 times as on March 31, 2016, a marginal improvement from 3.10 times as on March 31, 2015. The net worth has been moderate at Rs.2.50 cr as on March 31, 2016 as against Rs. 2.41 cr as on March 31, 2015. The coverage indicators are also average with interest coverage ratio (ICR) of 1.82 times and debt service coverage ratio (DSCR) of 1.05 times for FY2015-16.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

SMERA believes that the outlook on MTPL's rated facilities will remain stable over the medium term on account of its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue 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 revenue or profitability or in case of deterioration in the financial risk profile.

About the Rated Entity

MTPL, incorporated in 1995, was promoted by Ms. J. S. Nirmala Devi and Mr. K. P. Senthil Kumar. The company is engaged in the manufacturing of synthetic yarn (blended yarn), trading of polyester staple fibre (PSF) and is also an authorised dealer of Indo Rama Synthetics India Limited for polyester and polyester/cotton blended yarns. MTPL also trades in audio equipment, which is an insignificant portion of the total revenue.

For FY2015-16, MTPL reported profit after tax (PAT) of Rs 0.09 cr on operating income of Rs. 35.66 cr as compared with PAT of Rs. -0.02 cr on operating income of Rs. 54.36 cr for FY2014-15. The Networth for FY2015-16 is Rs. 2.50 cr as compared to Rs. 2.41 cr for FY2014-15.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	3.00	SMERA B+/Stable (Reaffirmed)	Feb 11, 2016	SMERA B+/Stable (Reaffirmed)	Nov 28, 2014	SMERA B+/Stable (Upgraded)	Feb 03, 2014	SMERA B-/Stable (Assigned)
Working Capital Demand Loan	Long Term	2.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	Long Term	0.75	SMERA B+/Stable (Reaffirmed)	Feb 11, 2016	SMERA B+/Stable (Reaffirmed)	Nov 28, 2014	SMERA B+/Stable (Upgraded)	Feb 03, 2014	SMERA B-/Stable (Assigned)
Term Loan	Long Term	1.50	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan (Proposed)	Long Term	0.06	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	NA	NA	NA	3.00	SMERA B+/Stable (Reaffirmed)
Working Capital Demand Loan	NA	NA	NA	2.00	SMERA B+/Stable (Assigned)
Term Loan	NA	NA	June 2017	0.75	SMERA B+/Stable (Reaffirmed)
Term Loan	NA	NA	March 2025	1.50	SMERA B+/Stable (Assigned)
Term Loan Proposed	NA	NA	NA	0.06	SMERA B+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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