

March 11, 2014

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
MARAL OVERSEAS LIMITED**

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|----------------------------|---------------------------------|-------------------------------|--|
| Long-term Bank Facilities | 155.33 (reduced from 201.80) | CARE BBB- (Triple B Minus) | Revised from CARE BB- (Double B Minus) |
| Short-term Bank Facilities | 122.95 (reduced from 125.81) | CARE A3 (A Three) | Revised from CARE A4 (A Four) |
| Total Facilities | 278.28 | | |

Rating Rationale

The revision in the ratings of Maral Overseas Limited (MOL) take into account the improved financial performance of the company during FY13 (refers to the period April 01 to March 31) and 9MFY14 as characterized by growth in income, improved profitability margins, improved gearing and healthy cash accruals. The ratings, further, continue to derive strength from the experienced promoters of MOL, its diversified product profile, established marketing tie-ups with some of the leading apparel brands and its ongoing modernization project being at advanced stages of completion.

However, the ratings continue to be constrained by continuation of MOL under the ambit of Corporate Debt Restructuring (CDR) forum, susceptibility of MOL's profitability margins to volatility in the raw material (mainly cotton) and yarn prices and high repayments in the medium term on account of the ballooning repayments schedule. The ratings are further constrained by the competition from China, Bangladesh and other export destinations in the garment segment and the cyclical nature of the textile industry.

Going forward, MOL's ability to further improve its capital structure, maintain its profitability margins while withstanding competitive pressures and volatility in the raw material prices and derive the envisaged benefits from the ongoing project would remain the key rating sensitivities.

Background

Incorporated in 1989, MOL is a part of the LNJ Bhilwara group. MOL commenced production in 1992, with setting up of a 20,160 spindles cotton spinning plant for the manufacturing of yarn which has increased over the years to 75,600 spindles (as on March 31, 2013). The company is also engaged in the manufacturing of knitted fabrics (5,400 MTs/Annum), processed fabrics (5,229 MTs/Annum) and ready-made garments (48 lac pcs/Annum) with its manufacturing facilities situated at Noida (U.P), and Khargone (M.P.). MOL had approached the CDR forum in July 2008 and the restructuring proposal / package was approved on March 26, 2009. Since then, MOL continues to service its debt as per the CDR terms.

During FY13, MOL registered a net profit of Rs.24.18 crore on a total operational income of Rs. 536.96 crore. As per the unaudited results of 9MFY14, MOL reported a total operational income of Rs.477.35 crore and PAT of Rs.31.24 crore.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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