

April 16, 2010

CARE ASSIGNS 'BB-' & 'PR4' RATINGS TO THE BANK FACILITIES OF MARAL OVERSEAS LTD.

CARE has assigned a '**CARE BB-** (Double B Minus) rating to the Long-term Bank Facilities aggregating Rs.474 cr of Maral Overseas Ltd. (MOL). This rating is applicable for facilities having tenure for more than one year. Facilities with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk.

Further, CARE has also assigned a '**PR4** (PR Four) rating to the Short-term Bank Facilities aggregating Rs.17 cr of MOL. This rating is applicable to facilities having a tenure upto one year. Facilities with this rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facilities	Amount (Rs. cr)	Rating
Long-term Bank Facilities	359.43	CARE BB-
Fund-based Limits	115.00	CARE BB-
Non-Fund Based Limits	16.50	PR4
Total	490.93	

Rating Rationale

The ratings are constrained by MOL's weak financial performance in the last three years entailing restructuring of outstanding loans under the Corporate Debt Restructuring (CDR) mechanism, volatility in raw material prices and risk related to exports mainly due to competition from China, Bangladesh and other cheap imports. However the ratings derive strength from group support, experienced promoters and the established marketing tie-ups with some of the leading apparel brands.

Going forward, MOL's ability to manage profitability effectively while withstanding competitive pressures and volatility in raw material prices would be the key rating considerations.

Company Profile

Incorporated in 1989, MOL is a part of the LNJ Bhilwara Group. The company is engaged in manufacturing and sale of cotton yarn, knitted fabrics, knitwear and ready-made garments. The company has manufacturing facilities at Noida (U.P), and Khargone (M.P.) with installed capacities of 75,600 spindles, around 50,00MT/annum capacity for knitted fabric and facilities for manufacturing 48 lakh pieces/annum of readymade garments as on September 30, 2009.

On account of non-stabilization of the expanded operations, sharp increase in cotton prices, almost stagnant yarn realizations, slowdown in the export market and derivative losses, MOL had got approval for Debt Restructuring under CDR forum in March 2009.

For 18 months period March 2008-September 2009 (FY09) MOL registered total operational income of Rs.519 cr and incurred net loss of Rs.42 cr. However with the improvement in the overall exports market as well as stable cotton prices, MOL's performance for Q1FY10 (December quarter) has improved. The company registered PAT of Rs.1.44 cr over net sales of Rs.96 cr during Q1FY10.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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