

MAY 5, 2016

CARE REAFFIRMS / REVISES RATING ASSIGNED TO BANK FACILITIES OF MARAL OVERSEAS LIMITED

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long term Bank Facilities	146.85 (Reduced from Rs.152.38 crore)	CARE BBB (Triple B)	Reaffirmed
Short term Bank Facilities	147.66 (Enhanced from Rs.136.53 crore)	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Total Facilities	294.51 (Rupees Two hundred ninety four crore and fifty one lakh only)		

Rating Rationale

The revision in the short term rating for the bank facilities of Maral Overseas Limited (MOL) takes into consideration its comfortable liquidity position as reflected by its lower utilizations of its working capital limits for the past one year period. Further, the ratings continue to derive strength from the experienced promoters and management team of the company, its diversified product profile and established marketing tie-ups with leading apparel brands.

These rating strengths are however partially offset by continuation of MOL under the ambit of Corporate Debt Restructuring (CDR) forum and susceptibility of its margins to volatility in raw material prices and foreign exchange fluctuations. The ratings also factor in high competition in the garment segment from China, Bangladesh and other export-based countries and project execution risk.

Going forward, the ability of the company to increase its scale of operations and improve its profitability margins as well as its ability to complete the ongoing projects in time and without any cost overrun would be the key rating sensitivities.

Background

Incorporated in 1989, MOL is a part of LNJ Bhilwara group. The company commenced production in 1992, with setting up of a 20,160 spindles cotton spinning plant for manufacturing of yarn which has increased over the years to 79,056 spindles (as on March 31, 2015). The company is also engaged in the manufacturing of knitted fabrics (5,000 MTPA), processed fabrics (6,200 MTPA) and ready-made garments (68 lac pieces per annum) with its manufacturing facilities located in 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.

Established in 1960, LNJ Bhilwara Group is a diversified conglomerate having interest in textiles, power, engineering and IT services. The group through its several companies is one of the major textile players in India having presence in entire value chain of textile industry. The other group companies are BMD Private Limited ('CARE A+', 'CARE A1+'), BSL Limited ('CARE BBB', 'CARE A3') and RSWM Limited.

During FY15 (refers to the period April 01 to March 31), MOL reported total operating income of Rs.658.77 crore and PAT of Rs.16.70 crore as against total operating income of Rs.657.33 crore and PAT of Rs.29.47 crore during FY14.

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

Furthermore, during 9M FY16 (refers to the period April 01 to December 31), MOL reported total operating income of Rs.474.04 crore and PAT of Rs.7.05 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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