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**MOL/  
June 30, 2020**

<b>BSE Limited</b> Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI - 400 001.  <b>Scrip Code: 521018</b>	<b>National Stock Exchange of India Limited</b> Listing Department, Exchange Plaza, C-1, Block - G, Bandra-Kurla Complex, Bandra (East), MUMBAI - 400 051.  <b>Scrip Code: MARALOVER</b>
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**Sub: Review of CARE Rating Limited for the Long Term and Short Term Bank Facility.**

Dear Sir/ Madam,

We wish to inform you that the CARE Ratings Limited has reviewed and reaffirmed the Long Term and Short Term Bank Facility of the Company as follows.

**Long Term Bank Facilities: Rating of CARE BBB-; Stable (Triple B minus; Outlook: Stable)**

**Short Term Bank Facilities: Rating of Care A3 (A Three)**

Kindly take the same on records.

Thanking you,

Yours faithfully,  
For **MARAL OVERSEAS LIMITED**

  
**VIRENDRA KUMAR GARG**  
**COMPANY SECRETARY**  
**FCS-7321**

*Maral Overseas Limited*

**Corporate Office :**  
Bhilwara Towers, A-12, Sector-1  
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Website: [www.maraloverseas.com](http://www.maraloverseas.com)  
GSTIN: 09AACCM0230B1Z8

**Regd. Office & Works :**  
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GSTIN: 23AACCM0230B1Z1

Corporate Identification No.: L17124MP1989PLC008255

CARE/DRO/RL/2019-20/1605

**Mr. Atul Jain**  
**Chief Financial Officer**  
**Maral Overseas Limited**  
Bhilwara Towers, A-12, Sector-1  
Noida, UP- 201301

June 29, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY20 (Audited) and Q4FY20 (Audited), our Rating Committee has reviewed the following ratings:

Facility	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank facilities	102.26	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BBB; Stable [Triple B; Outlook: Stable]
Short-term Bank facilities	184.78	CARE A3 (A Three)	Revised from CARE A3+ [A three plus]
<b>Total</b>	<b>287.04</b> <b>(Rupees Two Hundred Eighty Seven crore and Four lakh only)</b>		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by June 30, 2020, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the

**CARE Ratings Ltd.**

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credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

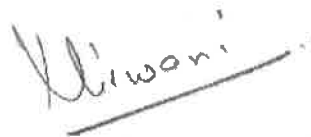
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.
10. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,  
Yours faithfully,



**[Shivangi Sharma]**  
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Encl.: As above



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**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1.A. Rupee Term loan (Rs. crore)**

S. No.	Banker / lender	Amount (Rs. Cr)	Remarks
1.	Central Bank of India	2.36	20 quarterly installments till 31.08.2019
2.	Union Bank of India	14.40	20 Quarterly installments till 30.09.2020
3.	Central Bank of India	9.58	20 Quarterly installments till 31.03.2022
4.	State Bank of India	10.72	20 Quarterly installments till 30.09.2022
5.	Export Import Bank of India	35.20	24 Quarterly installments till 01.10.2025
6.	Proposed	30.00	-
	<b>Total</b>	<b>102.26</b>	

**2. Short-term facilities**

**2.A. Fund-based limits (Rs. crore)**

Sr. No.	Name of Bank	Fund Based Limits	
		EPC/PCFC/FBD/FBP*	Total fund-based limits
1.	Bank of Baroda	22.00	22.00
2.	State Bank of India	74.63	74.63
3.	Canara Bank	11.50	11.50
4.	Central Bank of India	20.00	20.00
5.	Union Bank of India	15.50	15.50
6.	Proposed	16.37	16.37
	<b>TOTAL</b>	<b>160.00</b>	<b>160.00</b>

\*EPC=Export Packing Credit, PCFC= Packing Credit in Foreign Currency, FBP= Foreign Bills Purchasing, FBD= Foreign Bills Discounting

**2.B. Non fund based limits (Rs. crore)**

Sr. No.	Name of Bank	Non Fund Based Limits		Total
		LCs/ BGs*	Others	
1.	State Bank of India	9.90	4.30	14.20
2.	Union Bank of India	1.65	1.00	2.65
3.	Central Bank of India	-	0.40	0.40
4.	Canara Bank	1.65	0.40	2.05
5.	Bank of Baroda	2.48	3.00	5.48
	<b>TOTAL</b>	<b>15.68</b>	<b>9.10</b>	<b>24.78</b>

\*LC=Letter of credit; BG=Bank guarantee

**Total facilities: Rs.287.04 crore**

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**Press Release**  
**Maral Overseas Limited (MOL)**

**Ratings**

Facility	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank facilities	102.26	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BBB; Stable [Triple B; Outlook: Stable]
Short-term Bank facilities	184.78	CARE A3 (A Three)	Revised from CARE A3+ [A three plus]
<b>Total</b>	<b>287.04</b> <b>(Rupees Two Hundred Eighty Seven crore and Four lakh only)</b>		

*Details of facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the ratings assigned to the bank facilities of Maral Overseas Limited (MOL) takes into account moderation in financial risk profile of the company marked by loss reported in Q4FY20 (refers to the period from January 01, 2020 to March 31, 2020) and FY20 (refers to the period from April 01, 2019 to March 31, 2020). The ratings are further constrained by continuation of MOL under the ambit of Corporate Debt Restructuring (CDR) forum and susceptibility of its profitability margins to volatility in raw material prices and towards foreign exchange fluctuations risk.

However, the ratings derive strength from its strong parentage, experienced promoters and management team, its diversified product profile and established marketing tie-ups with leading apparel brands. These ratings are, further strengthened by the geographically distributed operations of the company with low customer concentration risk.

**Rating Sensitivities:**

**Positive factors:**

- Improvement in profitability margins marked by PBILDT margin exceeding 9% on sustained basis
- Overall gearing of less than 1.5x

**Negative factors**

- Deterioration in capital structure with overall gearing of more than 3
- Negative cash accruals

**Detailed Description of Key Rating Drivers**

**Key Rating Strengths**

**Strong parentage:** MOL is a part of LNJ Bhilwara group, which was established in 1960 by Mr. L N Jhunjunwala. The group is a well-diversified conglomerate with interests in textiles, graphite electrodes, power generation & power engineering consultancy services and IT enabled services. LNJ Bhilwara group has its presence in the entire textile value chain from textile yarns to fabrics, knitwear and denims through its group companies namely BMD Pvt. Ltd. (rated CARE A; Negative/CARE A2+), Maral Overseas Ltd., RSWM Limited and BSL Limited. The production units and corporate offices of the Group are spread over 38 locations in India, and the Group employs more than 26,000 people.

**Experienced promoters and management team:** MOL is currently headed by Mr. Shekhar Agarwal (MD) who did his B.Tech. (Mechanical Engineering) from IIT, Kanpur in 1975 and Master of Science in Industrial & Systems Engineering in 1976 from Illinois Institute of Technology, Chicago, USA. He has an experience of more than three decades in this line of business. He is well assisted by a management team having functional experience in related areas.

**Diversified product profile and established marketing tie-ups with leading apparel brands:** MOL is engaged in manufacturing of cotton yarn, knitted fabrics, processed fabrics and ready-made garments and has presence throughout the textile value chain. The company also owns a fully- integrated dye house plant with latest technology having facility for dyeing of yarn. The company sells its products in both domestic as well as export market and apart from this a significant portion of the cotton yarn and fabrics manufactured by the company are also used internally to manufacture fabric and

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garments. Further, the clientele of MOL is diversified, primarily due to its varied product profile. Being in operations since the last two decades, MOL has established tie-ups with various agents and strong apparel brands like M/s Cecil (Germany), M/s Schiesser (Germany), M/s Joy Sportwear (Germany), M/s Blair (USA), M/s. RNA Resources (Dubai), M/s Reitman (Canada), M/s Marubeni (Japan) etc.

**Geographically diversified operations and low customer concentration risk:** Being an export oriented unit, the company derived almost half of its revenue from the export markets. The company exports its products majorly to Far East & South East Asian Countries, Europe, North America, Gulf and Middle East, Africa etc. Furthermore, there is low customer concentration risk as the company caters to a large customer base present across the globe. The same is indicated by the top 5 customers forming around 11% (PY: 12%) of the total operating income in FY19.

### Key Rating Weakness

#### **Weak financial risk profile**

During FY20, MOL reported total operating income of Rs.693.28 crore as against total operating income of Rs.769.11 crore in FY19, registering a y-o-y decline of ~10%, mainly on account of loss of sales in the month of March 2020 post imposition of lockdown. The PBILDT Margin of the company declined to 3.58% in FY20 from 6.25% on FY19. MOL reported loss of Rs. 15 cr in FY20 on reversal of Merchandise Export from India Scheme (METS) benefit of Rs. 2.23 cr for the period from March 07, 2019 to December 31, 2019. Overall gearing of the company improved marginally 2.66x as on March 31, 2019 to 2.63x as on March 31, 2020 mainly on account of scheduled repayments of term loan and CRPS to banks.

During Q4FY20, MOL has reported TOI of Rs.151.21 cr registering y-o-y decline of ~25%. During Q4FY20, The PBILDT stood at negative Rs.3.78 cr and net loss reported was Rs.12.80 crore (Q4FY19 PBILDT: Rs.12.68 cr, PAT: Rs.0.94 cr).

**Susceptibility of profitability margins to volatility in the raw material prices:** The basic raw material consumed by MOL to produce yarn is cotton. Cotton prices, which are dependent on the government policies, effect of monsoon, etc. have been highly volatile in the past few years. Furthermore, the ability to transfer the volatility in raw material prices is limited on account of the low bargaining power of the companies with its suppliers as well as its customers, as the prices of both raw materials and finished goods are dependent upon the market conditions. Furthermore, yarn being a commodity, its price is also volatile and movement in yarn prices can also have an impact on the profitability margins of MOL's fabric and garment verticals.

**Exposure to foreign currency fluctuation risk:** MOL is exposed to foreign currency fluctuation risk as the company derives significant portion of its revenue from the export market. Thus, profitability margins of the company remains susceptible to any adverse movement in the foreign currency.

The company also imports raw materials which provide the natural hedge to company to some extent. Further, the company hedges the balance forex risk through forward contracts (generally almost 100% of foreign currency exposure is hedged by the company), which mitigates the risk to some extent.

**Adverse impact of Covid-19 pandemic on textile sector:** The closure of retail stores and malls on account of lockdown situation across the nation will affect textile industry's sales. On the international front, spread of Covid-19 in top export destinations such as Europe and US. Even after the lockdown is lifted, gradual and delayed recovery is likely in consumer demand given the relatively discretionary nature of the apparel products in the backdrop of likely economic slowdown. There may be a cascading impact on demand of other textile products including cotton yarn and fabric. Further, the labour intensive nature of operations of the textile sector could impact its profitability due to sub optimal capacity utilization in near term for ensuring adherence to norms of social distancing. The strength of the recovery will be contingent on the duration and extent of the Covid-19 pandemic, where a prolonged downturn in apparel demand will constrain revenues and earnings of the sector. Further, in medium to long term, some demand from US and EU market is expected to shift gradually from China to other major garmenting manufacturers including India to reduce dependence on China.

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Liquidity: Moderate

Current Ratio of the company remains below unity with high levels of repayments due within one year. The company had a cash and bank balance of Rs.9.69 cr as on March 31, 2020. The company has availed moratorium for its bank facilities till Sep 30, 2020 as per RBI's direction. Average working capital utilization stood at over 90% owing to working capital intensive nature of operations of company. MOL has to rely on external borrowings to finance the stock requirements and to finance the credit given to its customers. During FY20, average working capital cycle of company stood at 69 days (PY: 71 days). The working capital cycle of the company remains high on account of high inventory days as company's major raw material cotton is cyclic in nature and company has to maintain sufficient level of inventory for the entire period.

**Analytical approach:** Standalone

**Applicable Criteria**

CARE's Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for Short-term Instruments

CARE's methodology for Manufacturing Companies

Financial ratios – Non-Financial Sector

CARE's methodology for Cotton Yarn

CARE's methodology for Factoring Linkages in Ratings

**About the Company**

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. The company is engaged in the manufacturing of grey yarn (19,100 MTPA), dyed yarn (4,000 MTPA), knitted fabrics (6,500 MTPA), processed fabrics (7,200 MTPA) and ready-made garments (72 lac pieces per annum) with its manufacturing facilities located in Noida (U.P) and Kharagone (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.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	769.11	693.28
PBILDT	48.10	24.81
PAT	8.13	(15.25)
Overall gearing (times)	2.66	2.63
Interest coverage (times)	2.83	1.58

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	FY2025	102.26	CARE BBB-; Stable
Fund-based-Short Term	-	-	-	160.00	CARE A3
Non-fund-based - ST-BG/LC	-	-	-	24.78	CARE A3

**Annexure-2: Rating History of last three years**

Sr.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	102.26	CARE BBB-; Stable	-	1)CARE BBB; Stable (09-Sep-19)	1)CARE BBB; Stable (13-Mar-19)	1)CARE BBB; Stable (20-Mar-18)
2.	Fund-based-Short Term	ST	160.00	CARE A3	-	1)CARE A3+ (09-Sep-19)	1)CARE A3+ (13-Mar-19)	1)CARE A3+ (20-Mar-18)
3.	Non-fund-based - ST-BG/LC	ST	24.78	CARE A3	-	1)CARE A3+ (09-Sep-19)	1)CARE A3+ (13-Mar-19)	1)CARE A3+ (20-Mar-18)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

### Contact us

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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