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MOL/

September 5, 2019

| | |
|---|---|
| BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI - 400 001. Scrip Code: 521018 | National Stock Exchange of India Limited Listing Department, Exchange Plaza, C-1, Block - G, Bandra-Kurla Complex, Bandra (East), MUMBAI - 400 051. Scrip Code: MARALOVER |
|---|---|

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; Outlook: Stable)

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

Kindly take the same on records.

Thanking you,

Yours faithfully,

For **MARAL OVERSEAS LIMITED**

VIRENDRA KUMAR GARG
COMPANY SECRETARY
FCS-7321

Encl : As above

Maral Overseas Limited

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Website: www.maraloverseas.com
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Website: www.lnjbhilwara.com
GSTIN: 23AACCM0230B1ZI

Corporate Identification No: L17124MP1989PLC008255

September 03, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (Audited) and Q1FY20 (Unaudited), our Rating Committee has reviewed the following ratings:

| Facility | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|---|---------------|
| Long-term Bank facilities | 102.26 | CARE BBB; Stable (Triple B; Outlook: Stable) | Reaffirmed |
| Short-term Bank facilities | 184.78 | CARE A3+ (A Three Plus) | Reaffirmed |
| Total | 287.04 (Rupees Two Hundred Eighty Seven crore and Four lacs only) | | |

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 September 06, 2019, 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 credit rating

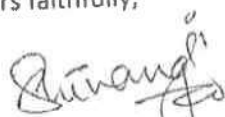
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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

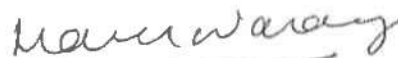
symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

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 for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any 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]
Deputy Manager
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[Manek Narang]
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Encl.: As above

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.

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 | - |
| | Total | 102.26 | |

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 |
| | | 22.00 | 22.00 |
| 1. | Bank of Baroda | 74.63 | 74.63 |
| 2. | State Bank of India | 11.50 | 11.50 |
| 3. | Canara Bank | 20.00 | 20.00 |
| 4. | Central Bank of India | 15.50 | 15.50 |
| 5. | Union Bank of India | 16.37 | 16.37 |
| 6. | Proposed | 160.00 | 160.00 |
| | TOTAL | | |

*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 | |
| | | 9.90 | 4.30 | 14.20 |
| 1. | State Bank of India | 1.65 | 1.00 | 2.65 |
| 2. | Union Bank of India | - | 0.40 | 0.40 |
| 3. | Central Bank of India | 1.65 | 0.40 | 2.05 |
| 4. | Canara Bank | 2.48 | 3.00 | 5.48 |
| 5. | Bank of Baroda | 15.68 | 9.10 | 24.78 |
| | TOTAL | | | |

*LC=Letter of credit; BG=Bank guarantee

Total facilities: Rs.287.04 crore

Press Release
Maral Overseas Limited (MOL)

| Ratings | | | |
|----------------------------|--|---|----------------------|
| Facility | Amount (Rs. crore) | Rating¹ | Rating Action |
| Long-term Bank facilities | 102.26 | CARE BBB; Stable (Triple B; Outlook: Stable) | Reaffirmed |
| Short-term Bank facilities | 184.78 | CARE A3+ (A Three Plus) | Reaffirmed |
| Total | 287.04 (Rupees Two Hundred Eighty Seven crore and Four lacs only) | | |

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Maral Overseas Limited (MOL) continue to 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. These rating strengths are however partially offset 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. Going forward, the ability of the company to increase its scale of operations, improve its profitability margins and to maintain its capital structure as well as its strategy towards capex would be the key rating sensitivities.

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 Jhunjhunwala. 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+; Stable/CARE A1), Maral Overseas Ltd. (rated CARE BBB; Stable/ A3+), 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. The turnover of the group was around Rs. 8157 crore during FY18 and net worth of the group was around Rs. 5912 crore as on March 31, 2018.

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 dying of yarn. During FY19, MOL derived around 47% (PY: 51%) of its net sales

from yarn, around 31% (PY: 25%) from fabrics, around 16% (PY: 17%) from garments and around 6% (PY: 7%) of its net sales from cotton waste.

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 is also used internally to manufacture fabric and 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 (company derived around 50% of its total revenue from the export markets in FY19). 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.

Moderate Financial Risk Profile

During FY19, MOL reported total operating income of Rs. 769.11 crore as against total operating income of Rs. 649.39 crore in FY18, registering a y-o-y growth of 19%, on account of increase in export sales from Rs. 306.65 crore in FY18 to Rs. 380.42 crore in FY19. The PBILDT Margin of the company improved by 102 bps to 6.25% in FY19. The PAT Margin stood at 1.06% in FY19. Overall Gearing of the company improved from 2.95x as on March 31, 2018 to 2.66x as on March 31, 2019 on account of scheduled repayments of term loan and CRPS to banks. During Q1FY20, MOL has reported TOI of Rs. 190 cr registering y-o-y growth of 7%. During Q1FY20, The PBILDT stood at Rs. 11.93 cr and PAT stood at Rs. 1.09 crore (Q1FY19 PBILDT: Rs. 13.21 cr, PAT: Rs. 2.69 cr).

Key Rating Weakness

Susceptibility of profitability margins to volatility in the raw material prices

The basic raw material consumed by MOL to produce yarn is cotton (Cotton consists of around 65% of the total raw material cost incurred by the company in FY19). 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 (50% of total revenue of the company is derived from export sales in FY19). 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. As on March 31, 2019, the receivables of company in foreign currency stood at Rs. 30.33 crore (Rs. 28.97 crore in USD and Rs. 1.36 crore in EURO).

Liquidity: Moderate

Current Ratio of the company remains below unity with high levels of repayments due within one year. Current ratio of the company stood at 0.88x as on March 31, 2019. Average of Max. working capital utilization of MOL stood at around 86% during the 12-month period ending June 30, 2019 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 FY19, average working capital cycle of company stood at 71 days (PY: 96 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 Khargone (M.P.).

MOL had approached the CDR forum in July 2008 and the restructuring proposal / package was approved on March 26, 2009 and redeemable on March 31, 2020. Since then, MOL continues to service its debt as per the CDR terms.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 649.39 | 769.11 |
| PBILDT | 33.96 | 48.10 |
| PAT | 0.99 | 8.13 |
| Overall gearing (times) | 2.95 | 2.66 |
| Interest coverage (times) | 1.82 | 2.83 |

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. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|------------------|---|---|---|--|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | 102.26 | CARE BBB; Stable | - | 1)CARE BBB; Stable (13-Mar-19) | 1)CARE BBB; Stable (20-Mar-18) | 1)CARE BBB; Stable (06-Mar-17) 2)CARE BBB (05-May-16) |
| 2. | Fund-based-Short Term | ST | 160.00 | CARE A3+ | - | 1)CARE A3+ (13-Mar-19) | 1)CARE A3+ (20-Mar-18) | 1)CARE A3+ (06-Mar-17) 2)CARE A3+ (05-May-16) |
| 3. | Non-fund-based - ST-BG/LC | ST | 24.78 | CARE A3+ | - | 1)CARE A3+ (13-Mar-19) | 1)CARE A3+ (20-Mar-18) | 1)CARE A3+ (06-Mar-17) 2)CARE A3+ (05-May-16) |

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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.

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