## Rating Rationale

**Mahajan Overseas Private Ltd**

**13Dec2018**

---

**Brickwork Ratings has reaffirmed the ratings assigned to the bank loan facilities of Rs 20.22Crs of Mahajan Overseas Pvt Ltd ('MOPL' or the company) ,**

---

**Particulars:**

| Facility | Amount (₹ Crs) | | Tenure | Rating | |
|---|---|---|---|---|---|
| | Previous | Present | | Previous (Oct , 2017) | Present |
| Fund based<br>Cash Credit<br>EPC<br>PSC<br>Term Loan<br>Term Loan (new) | <br>3.00<br>10.00<br>2.50<br>1.95<br>0.00 | <br>3.00<br>8.00<br>4.50<br>1.27<br>0.20 | Long Term | BWR BB (Pronounced as BWR Double B ) Reaffirmed | BWR BB (Pronounced as BWR Double B ) Outlook: Stable Reaffirmed |
| LC<br>BG | 3.00<br>(0.25) | 3.00<br>0.25 | Short Term | BWR A4+ ( Pronounced as BWR A Four Plus) Reaffirmed | BWR A4+ ( Pronounced as BWR A Four Plus) Reaffirmed |
| Total | 20.45 | 20.22 | INR Twenty Crores and Twenty Two Lakhs Only | | |

*Please refer to BWR website www.brickworkratings.com for definition of the ratings ;* Note:*'MOPL has not provided the audited financials even as on 11.12.2018*

### Rating: Reaffirmed

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financials of the company upto FY17, **management certified provisionals of FY18 ,** publicly available information and information/clarifications provided by the management the company.

The rating draws strength from the experienced promoters, long operational experience, locational advantage, increased revenues and marginal increase in operating and net profit margins and moderate gearing .The ratings are, however, constrained by weak debt and interest coverage indicator, intense competition from organized and unorganized players in the textile industry,exposure to currency fluctuations, liquidity concerns and working capital intensive nature of operations and Gap risk (**Based on Provisional Financials of FY 18** ).

.
Going forward, the ability of the company to increase its scale of operations with improved revenues and profits & profitability margins ,service the debt obligations promptly and manage its working capital efficiently would be the key rating sensitivities.

**Credit Strengths:**

Two of the Promoters of the company has more than 15 years of decade of experience in the textile industry , The company was established in sept 1981, Based in Panipat being textile hub, visible revenue growth and sales registered at Rs 80.30 Crs in FY18 as against Rs 74.48 Crs in FY17 , operating profit margin increased from 5.72% in FY17 to 7.01% in FY18 and net profit margin increased from 0.39% in FY17 to 1.36% in FY18. gearing is at 1.71 X in FY18(**Based on Provisional Financials of FY 18 )**.

**Credit Risks:**

Debt coverage indicator is at 0.92 X in FY18 and interest coverage indicator is at 1.68 X in FY 18 , the company being exposed to high level of competition from large number of organised and unorganised players, Forex risks are arising out of unhedged foreign currency exposures Average Working capital utilisation in the last six months is more than 95% indicating liquidity concerns, Gap risk arising between provisional and audited financials. of FY 18 (**Based on Provisional Financials of FY 18 )**.

**Rating Outlook: Stable**

BWR believes '**Mahajan Overseas Pvt Ltd**' business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

**Analytical approach**

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

**About the Company**

Mahajan Overseas Private Limited has been incorporated in September 1981 in Panipat, Haryana. The company is engaged in manufacturing and export of home furnishing textile goods, chenille yarn, fabric & garments. It's product range includes cushions, kitchen linen, table linen, quilts and floor coverings.

The company also undertakes job work for other domestic players. The company has a few associate concerns namely Mahajan USA Ltd, Mahajan UK Ltd and Mahajan Canada Ltd which are engaged in marketing and distribution of the company's products in the west. The promoters of the company are Mr Rajesh Mahajan, Mr Pranab Mahajan and Mr Aman Gulati. Mr Rajesh Mahajan is responsible for liasoning with the customers , Mr Pranab Mahajan is a textile engineer from UK and is responsible for the manufacturing of the company's products and Mr Aman Gulati is a Chartered Accountant who handles all the financial matters of the company.

**Financial Performance of the Company**

The company reported Total Operating Income and PAT of Rs. 80.30 Cr and Rs. 1.09 Cr inFY18 and a revenue of Rs 74.48 Crs and PAT of Rs. 0.29 Cr in FY17 . Operating profit is Rs 5.63 Crs in FY18 and Rs.4.26 Crs in FY17, .Total debt stood at Rs. 32.69 Cr as on 31.3. 2017 and Rs.32.38 Cr as on 31.3. 2018 **(Financials of FY 18 is provisional)**

**Rating History for the last three years:**

| Sl No | Facility | Current Rating ( 2018) | | | Rating History | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount (Rs. Crs) | Rating | 3.10.2017 | 1.9.2016 | 2015 |
| 1. | CC<br>EPC<br>PSC<br>TL<br>TL(New) | Long Term | 3.00<br>8.00<br>4.50<br>1.27<br>0.20 | **BWR BB Pronounced as BWR Double B) (Outlook: Stable) Reaffirmed** | **BWR BB (Pronounced as BWR double B) Reaffirmed** | **BWR BB (Pronounced as BWR double B) Reaffirmed** | **Not rated** |
| 2. | LC<br>BG | Short Term | 3.00<br>0.25 | **BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed** | **BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed** | **BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed** | **Not rated** |
| Total | | | **20.22 (Rupees Twenty Crores and Forty One Lakhs Only)** | | | | |

***Initial rating of BWR BB/A4+ was assigned on 25/02/2014 for an amount of Rs. 25.35 Cr;***

***Status of non-cooperation with previous CRA: None , Any other information: Nil***

**Hyperlink/Reference to applicable Criteria:**

- General Criteria
- Short Term Debt

- [Approach to Financial Ratios]
- [Manufacturing Companies]


| Analytical Contacts | Media |
|---|---|
| *Venkatesh*<br>*CGM-Ratings*<br>analyst@brickworkratings.com | media@brickworkratings.com<br>**Relationship Contact**<br>bd@brickworkratings.com |
| **Phone: 1-860-425-2742** | |


**Key Financial Indicators**

| Particulars | Unit | FY 16 Audited | FY 17 Audited |
|---|---|---|---|
| **Total Operating Income** | **Rs. Cr** | 70.14 | 74.48 |
| **OPBDIT** | **Rs. Cr** | 5.24 | 4.26 |
| **PAT** | **Rs. Cr** | 0.26 | 0.29 |
| **Tangible Net Worth** | **Rs. Cr** | 18.22 | 17.80 |
| **Total Debt/ Tangible Net Worth** | **Times** | 2.00 | 1.84 |
| **Current Ratio** | **Times** | 1.38 | 1.30 |


**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.


**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.