

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 20.38 Cr of Majestic Exports.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of ₹ 20.38 Cr of Majestic Exports. (Partnership firm)

Facilities	Amount (₹ Cr)	Tenure	Rating
Fund Based: <b>Packing Credit</b>	<b>3.00</b>	<b>Long Term</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus)  <b>Outlook: Stable</b>
Fund Based: <b>FBD</b>	<b>13.00</b>		
Fund Based: <b>Term Loans</b>	<b>4.03*</b>		
Non-Fund Based: <b>Bank Guarantee</b>	<b>0.15</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)
Non-Fund Based: <b>Credit Exposure Limit</b>	<b>0.20</b>		
<b>Total</b>	<b>20.38</b>	<b>INR Twenty Crore and Thirty Eight Lakhs only</b>	

\*Term Loan Outstanding as on June 11, 2015. Term loan amount comprises to the total of 3 different term loans

BWR has essentially relied upon the audited financial results of the firm up to FY14, Provisionals for FY15 & projections for FY16 and FY17, publicly available information and information/clarifications provided by the firm's management.

The rating draws strength from the extensive experience of the partners in the sector for more than 4 decades, increasing sales revenues and profit margins year on year, increase in partners' capital in FY15, comfortable gearing ratios and quality products manufactured by the firm. However, the ratings are constrained by moderate revenues, high customer concentration, volatile input prices and intense competition in the sector.

#### Background:

Majestic Exports was established on 8<sup>th</sup> May 2004 as a partnership firm by Mr. K. Kandasamy, Mrs. K. Angathal (Wife of K. Kandasamy), Mr. K. Shivashanmugasundaram (son of K. Kandasamy) and Mr. K. Navaneethakrishnan (son of K. Kandasamy) at Tirupur, Tamil Nadu. The firm is engaged in manufacturing and export of garments. The company manufactures readymade garments for children, women and men.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### **Financial Performance:**

Majestic Exports reported total sales revenue of ₹ 55.64 Cr and PAT of ₹ 2.16 Cr in FY14 as against total sales revenue of ₹ 31.26 Cr and PAT of ₹ 1.24 Cr in FY13. As per provisional financials, the firm's total sales revenues were at ₹ 77.61 Cr with PAT of ₹ 5.62 Cr for FY15. Partners' capital has increased from ₹ 6.91 Cr in FY14 to ₹ 14.71 Cr in FY15.

### **Rating Outlook:**

The operations of the company are expected to increase over the coming year due to the increase in the installed capacity. The revenues are expected to increase due to the commencement of production in the additional machines. Going forward, the ability of the firm to improve its revenues, profitability, manage its working capital and capital structure efficiently would be the key rating sensitivities.

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