



## Rating Rationale

### Mary Fashion Impex

9 July 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 5.94 Crores of Mary Fashion Impex.**

### Particulars

Facilities	Limits Rated (₹ Crs)	Tenure	Rating*
<b>Fund Based:</b> Cash Credit Term Loan #	1.00 0.44	<b>Long Term</b>	<b>BWR B+</b> (Pronounced as BWR Single B plus) <b>(Outlook: Stable)</b>
PC/ PCFC	4.50	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>5.94</b>	<b>INR Five Crores and Ninety Four Lakhs Only</b>	

# Term loan balance outstanding as on 5.7.2018

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

BWR has essentially relied upon the firm's audited financial results up to FY17, projected financial statements for FY 18 & FY 19, publicly available information and clarifications provided by the management.

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

The rating has inter-alia, factored experience of the promoters in readymade garments industry for more than a decade, established track record of the firm, reputed list of clientele, consistent growth in sales revenue, low gearing, improved net worth and ability to sustain the competitive nature of business in the region. However, the ratings are constrained by volatility in profitability level, competition and working capital intensive nature of operations.

Going forward ability of the company to improve its profitability margins, to improve its scale of operations, to maintain and improve its customer base and to manage its working capital efficiently will be the key rating sensitivities.

### Description of Key Rating Drivers

- **Credit Strengths:**



**Promoters Experience:** All the partners have been in the garment manufacturing business for more than a decade. Two of the partners are also running their own dyeing unit for more than two decades in the region

**Consistent growth in Sales revenue:** Operating revenue of the firm for FY 17 stood at Rs. 9.97 crs as compared to 7.77 crs in FY16. As reported by management, the firm has orders on hand to the tune of Rs. 5.32 crs

**Low Gearing:** Gearing of the firm is comfortable with DE at 1.06 times in FY17 .

**Growth in Net worth:** Net worth of the firm for FY17 was at Rs. 3.80 crs as compared to Rs. 2.57 crs in FY16

- **Credit Risks:**

**Volatility in profit margin:** Profit margins have declined in FY17 - Operating profit margin was at 5.05 percent and net profit margin at 1.13 percent as compared to 9.65 percent and 1.26 percent respectively in FY16

**Risk relating to Foreign Exchange transactions:** 97 percent of firm's revenue is generated from international markets. As such, the unit is constantly exposed to risk relating to foreign exchange fluctuation

**High competition and working capital intensive business:** High competition from many small & medium units in the region. Highly working capital intensive nature of business.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: *Stable***

BWR believes that the **Mary Fashion Impex's** 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Firm**

Mary Fashion Impex (MFI) was established as a partnership firm on 21st May 2012 in the region of Tirupur, Tamilnadu for the manufacture of ready-made garments. The firm was initially constituted by two partners namely, Mr. Krishnamurthy and Mr. Suresh. However, Mr. Suresh voluntarily retired on 31.8.2012 and the firm was later reconstituted on 10.9.2012 with induction of new partners Mr. Chinnusamy and Mr. Selvaraj. The unit manufactures ready-made garments and hosiery products for men, women and kids for both international and domestic markets. The firm's exports its products to various brands like , LLP, Poland; Crocodile & Eland Kids,USA; Intermarche,France; Basic XX,Dubai. Exports constitute more than 97 percent of its total turnover. Mary Fashion Impex procures various raw materials like, yarn, fabric, trims and accessories from local dealers in Tirupur region. The production capacity for FY17 was at 5000 nos per day. The firm currently employs approximately 80 nos of permanent staff and 90 nos hired labour. As reported by the management, the firm has orders on hand to the extent of Rs. 5.32 crs.



### Management Profile

Mary Fashion Impex is presently constituted by three partners, namely, Mr. R Krishnamurthy, Mr. Chinnusamy and Mr. Selvaraj. Mr. R Krishnamurthy, managing partner is the first generation entrepreneur and has business experience in similar line of activity for a decade during his employment prior to starting the business. He is joined by Mr. Chinnusamy and Mr. Selvaraj, who are family members and they provide operational support in running the business. They have been running their own dyeing units in Tirupur region.

### Firm's Financial Performance

Mary Fashion Impex's operating income for FY17 stood at Rs. 9.97 crs as compared to Rs.7.77 crs in FY16. PAT has been almost stagnant at Rs. 0.11 crs for FY17, Rs. 0.10 crs in FY 16 and Rs. 0.09 crs in FY15. Net worth of the firm for FY17 was at Rs. 3.80 crs.

### Rating History for the last three years

S.No	Facilities	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	FY2017	FY2016	FY2015
	<b>Fund Based:</b>						
1	Cash credit	Long term	1.00	<b>BWR B+ (outlook stable)</b>	-	-	-
2	Term loan I		0.19		-	-	-
3	Term loan II		0.25		-	-	-
4	PCFC	Short term	4.50	<b>BWR A4</b>	-	-	-
	<b>Total</b>		<b>5.94</b>		<b>₹ Five Crores and Ninety Four Lakhs Only</b>		

### Key Financial Indicators

Key Parameters	Units	2017 (A)	2016 (A)
Operating Revenue	₹ Cr	9.97	7.77
EBITDA	₹ Cr	1.10	0.75
PAT	₹ Cr	0.11	0.10
Tangible Net worth	₹ Cr	3.80	2.57
Total Debt/Tangible Net worth	Times	1.06	2.20
Current Ratio	Times	1.81	1.39

### **A: Audited**

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Manufacturing Companies](#)
- [Short Term Debt](#)

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#### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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