



Press Release

Marshal Manufacturing & Exports

September 26, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term / Short Term Bank Facilities	10.50 ^{^*}	IVR BB / Stable Outlook / IVR A4 [IVR Double B with Stable Outlook / IVR A Four]	Reaffirmed	Simple
Long Term Bank Facilities	2.09	IVR BB / Stable Outlook [IVR Double B with Stable Outlook]	Reaffirmed	Simple
Total	12.59 (Rupees Twelve Crore and Fifty Nine Lakhs Only)			

[^]Enhanced from Rs.7.00 crore to Rs.10.50 crore

^{*}Sublimit of Rs.10.50 crores for FDBP/FUDBP limit and Rs.2.50 crores for Cash Credit limit

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings has reaffirmed long-term rating at IVR BB with a Stable outlook and short-term rating at IVR A4 for the bank loan facilities of Marshal Manufacturing & Exports (MME).

The ratings continue to be constrained by improving yet modest scale of operations coupled with moderate profitability margins, working capital intensive nature of operation, foreign exchange fluctuation risk, highly competitive nature of industry, constitution of the entity being a partnership firm. The ratings, however, continues to derive benefit from the long track record of operations and experienced promoter, diversified service & product profile and moderate capital structure and debt coverage indicators.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals



Press Release

- Improvement in the capital structure along with improvement in debt service parameters
- Prudent management of cash conversion cycle and working capital requirements

Downward Factors

- Larger-than-expected debt-funded capex, leading to deterioration in the financial profile, especially liquidity, gearing and debt coverage metrics
- Stretch in the working capital cycle negatively impacting liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of the operation and experienced promoter**

M/s. Marshal Manufacturing & Exports (MME) is a proprietary concerned of Mr. Mohammed Shafi which was established in 1998 and it is a Government of India recognized export house. Further Mr. Mohammed Shafi have more than four decades of experience in this industry, he is also a member of ACAAI (Air Cargo Agents Association of India), ACC (Air Cargo Club) Mumbai. Apart from MME, Mr. Mohammed Shafi is also proprietor of East West Freight Carriers (a proprietorship entity) since 1974 and also designated as wholetime Director of East West Freight Carriers Limited since 1979.

- **Diversified services & products profile**

MME provide the services of procurement, supply, logistic, custom clearance, shipment in Air as well as through Sea and caters to diversified industries such as steel, food, packing, cement, detergent, fertilizer etc. in Africa & Middle East Zone.

- **Moderate capital structure and debt coverage indicators**

The capital structure of the entity as indicated by overall gearing has marginally deteriorated and stood at 0.95 times as on March 31, 2022 (Prov.) {vis-à-vis 0.73 times as on March 31, 2021 (A)} on account mainly on account of avilment of GECL Covid loan of Rs.2.09 crore coupled with withdrawal of funds by the promoter from the business. However, debt coverage indicators marked by interest coverage ratio and total debt to gross cash accruals are marginally improved and stood at 1.50 times and 16.16



Press Release

times respectively in FY22 (Prov.) {vis-à-vis 0.86 times and 18.89 times respectively in FY21 (A)} mainly on account of improvement in operating profit.

Key Rating Weaknesses

- **Improving yet modest scale of operation coupled with moderate profitability margins**

The total operating income has improved significantly by 73.80% and stood at Rs.41.43 crore in FY22 (Prov.) {vis-à-vis Rs.23.84 crore in FY21 (A)} mainly on account post covid situation the demand for the engineering products was increased in the overseas market coupled with addition of new customers. Furthermore, during 5MFY23 (refers to the period April 01, 2022 to August 31, 2022); MME has achieved the total income of Rs.23.22 crore. Nevertheless, the scale of operations continues to remain modest, with moderate tangible net-worth base of Rs.10.22 crore as on March 31, 2022, which limits of the entity's financial flexibility in times of stress & deprives it from scale benefits.

Further operating profit margin remained moderate in the range of 4.35% to 6.51 during the past four years due to the low value-added nature of the business. The operating profit margin has marginally declined by 21 bps and stood at 4.35% in FY22 (Prov.) {vis-à-vis 4.56% in FY21 (A)} on account increase in operating expenses (namely freight charges), owing to this net profit margin also declined from 1.54% in FY21 (A) to 1.33% in FY22 (Prov.).

- **Working capital intensive nature of operations**

The operations of the entity are working capital intensive in nature with funds being blocked in receivables as the entity majorly dealing with overseas customers and offers extended credit period of 30 to 90 days owing to established relationship as well as intense competition prevalent in the industry. However, operating cycle of the entity had improved and stood at 92 days in FY22 (Prov.) {vis-à-vis 160 days in FY21 (A)} mainly on account of improvement in collection period from 160 days in FY21 to 98 days in FY22. On account of this, the average utilization of its working capital limit remained high at around 90% during the last twelve months ended as on July, 2022.



Press Release

- **Foreign exchange fluctuation risk**

The entity is exposed to foreign exchange fluctuation risk as it exports ~90% of total sales to Gulf countries, African Countries & Colombia. Further the entity does not adopt any hedging mechanism as it doesn't have banking limits for the same thus, the foreign exchange fluctuation risk continues to persist due to timing differences and volatility in the dollar prices.

- **Highly competitive nature of industry**

The entity operates in an industry which is highly fragmented and competitive in nature. Dealers generally face a stiff competition from the other dealers in the market. The market consists of several small to medium-sized firms that compete with each other along with several large enterprises, which limits the pricing flexibility.

- **Constitution of the entity being a partnership firm**

MME being a proprietorship firm has the inherent risk of possibility of withdrawal of the capital at the time of personal contingencies. Moreover, firms have restricted access to external borrowings as credit worthiness of the proprietor being the key factors affecting credit decision for the lenders. Further, the promoter has withdrawn the funds amounting to Rs.1.36 crore during FY22.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The entity doesn't have any long-term debt obligation except vehicle loans as on balance sheet date ended as on March 31, 2022 (Prov.), however the entity has availed UGECL (Covid-19 extension loan) amounting to Rs.2.39 crore in FY22 and repayment of the same



Press Release

will be commenced from Jan-2024. Thus, the expected repayment obligation will be Rs.0.17 crore in FY24 which is expected to be met through targeted net cash accruals of Rs.1.66 crore in FY24, further the DSCR expected to be remained above unity level for the projected years. The working capital management of the entity remains intensive marked by GCA days of 119 days in FY22 (Prov.), given the high gross current asset days needs of the business and limited headroom in the working capital lines. The average utilisation of the sanctioned working capital limits stood at 90% during the last 12 months that ended in July 2022. The current ratio and quick ratio remained comfortable at 1.53 times and 1.31 times respectively as on March 31, 2022 (Prov.).

About the Company

M/s. Marshal Manufacturing & Exports (MME) is a proprietary concerned of Mr. Mohammed Shafi which was established in 1998 and it is a Government of India recognized export house. Mr. Mohammed Shafi is the founder of the entity with more than four decades of experience in this industry, he is also a member of ACAAI (Air Cargo Agents Association of India), ACC (Air Cargo Club) Mumbai. The entity purchases the goods locally and exports majorly in Gulf countries, African Countries & Colombia. It majorly deals in agricultural diesel engine spare parts, pumps & other machineries, and also export rice, sugar and white floor (Maida) etc. Moreover, the goods are exports against confirmed order mainly received through Dry Docks Trading LLC, (UAE based client) with whom MME dealing since 1994.

Financials (Standalone)*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	23.84	41.43
EBITDA	1.09	1.80
PAT	0.38	0.55
Total Debt	8.02	9.72
Tangible Net worth	11.02	10.22
EBITDA Margin (%)	4.56	4.35
PAT Margin (%)	1.54	1.33
Overall Gearing Ratio (times)	0.73	0.95

*Classification as per Infomerics standards



Press Release

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Press Release					22-Jul-2021		
1.	Fund Based – Packing Credit	Long Term / Short Term	10.50	IVR BB / Stable / IVR A4	IVR BB / Stable / IVR A4	–	–
2.	Fund Based – Guaranteed Emergency Credit Line	Long Term	2.09	IVR BB / Stable	IVR BB / Stable	–	–

Name and Contact Details of the Rating Analyst:

Name: Mr. Rupesh Dhuri Tel: (022) 62396023 Email: rupesh.dhuri@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
--	---

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head



Press Release

Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term / Short Term – Fund Based – Packing Credit	–	–	–	10.50	IVR BB / Stable / IVR A4
Long Term – Fund Based – Guaranteed Emergency Credit Line	–	–	Dec - 2026	2.09	IVR BB / Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Marshal-Manufacturing-sep22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.