Rating Rationale 19 Sept 2019

Prem Textiles (International) Pvt. Ltd.

Brickwork Ratings upgrades the Ratings to BWR BBB-/A3 (outlook:Stable) for Bank Facilities of Rs.53.48 Crs of Prem Textiles (International) Pvt. Ltd. ('PTPL' or 'the Company')

Particulars

<table>
<tr><th rowspan="2">Facility</th><th colspan="2">Amount (Rs. Crs)</th><th rowspan="2">Tenure</th><th colspan="2">Rating *</th></tr>
<tr><th>Previous</th><th>Present #</th><th>Previous (Nov 2018)</th><th>Present (Sep 2019)</th></tr>
<tr><td>Fund based</td><td>53.64</td><td>47.23</td><td>Long Term</td><td>BWR BB+
(Pronounced as BWR Double B Plus)
Stable</td><td>BWR BBB-
(Pronounced as BWR Triple B Minus)
Stable
Upgraded</td></tr>
<tr><td>Fund Based</td><td>0.00</td><td>(30.00)</td><td>Short Term</td><td rowspan="2">BWR A4+
(Pronounced as BWR A Four Plus)</td><td rowspan="2">BWR A3
(Pronounced as BWR A Three)
Upgraded</td></tr>
<tr><td>Non-Fund Based</td><td>6.25</td><td>6.25</td><td>Short Term</td></tr>
<tr><td>Total</td><td>59.89</td><td>53.48</td><td colspan="3">INR Fifty Three Crores and Forty Eight Lakhs Only</td></tr>
</table>

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Annexure I shows the detailed facilities

RATING ACTION/OUTLOOK

Brickwork rating upgrades the ratings to BWR BBB-/A3 (Outlook:stable). The Rating upgrade is on account of increase in scale of operation and improvement in debt coverage indicators. The rating continues to draw strength from the promoter's experience in the industry, established relationship with customers and above average financial risk profile. However, the rating remains constrained by modest scale of operation, stretched liquidity position, and presence in a highly competitive industry.

The Outlook is stable as the Company has shown a sustainable growth in revenues in the last 2 financial years and it is expected to grow further in FY20 & FY21.

KEY RATING DRIVERS

Credit strengths:

- **Experienced promoters and established relation with customers**
  The promoter of PTPL, Mr. Subhash Jain has more than four decades of experience in textile industry. He is supported by his son, Mr. Saurabh Jain who also has gained 14 years of experience in textile industry. Over the years, the promoters have established healthy business relations with their customers which enables them to receive repeat orders.

- **Above average financial risk profile**
  The scale of PTPL's business operations through improved but remained modest, as the company reported TOI of Rs.211.26 Crs and PAT of Rs.1.80 Crs in FY19 as against TOI of Rs.176.03 Crs and net loss of Rs.3.99 Crs in FY18. Networth base of the Company remained moderate as its TNW as on March 31, 2019 was Rs.31.06 Crs as against Rs.27.27 Crs as on March 31, 2018. Owing to this, the total gearing stood moderate at 2.08x as on March 31, 2019 as against 2.43x as on March 31, 2018. Due to competition from other players in the market, operating profit margin although improved but remained low at 6.89% for FY19 as against 3.16% for FY18. Consequently, ISCR and DSCR of the Company became moderate to 2.02x and 1.35x respectively, for FY19 as against 0.81x and 0.92x for FY18.

Credit Weaknesses

- **Stretched liquidity position**
  Due to relatively higher working capital borrowings and term loan repayments, liquidity position of the Company is stretched as its current ratio stood at 1.08x as on March 31, 2019 as against 0.96x as on March 31, 2018.

- **Presence in a highly competitive industry**
  Textile industry consists of large number of organised and unorganised players which exerts pressure on its profit margins.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, Projections upto FY21, publicly available information and information/clarifications provided by the management. 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 SENSITIVITIES

Going forward the ability of the Company to increase its scale of operation, improve its overall financial risk profile and efficiently manage its working capital would be the key rating sensitivities.

Positive: The rating outlook may be revised to positive if the company is able to further increase its scale of operation by improving its profitability and liquidity position.

Negative: The Rating may be downgraded if there is a deterioration in the liquidity and capital structure.

LIQUIDITY POSITION: STRETCHED

As on March 31, 2019, the liquidity position of the Company is stretched due to relatively higher working capital borrowings and scheduled long term debt repayments as its current ratio stood at 1.08x.

COMPANY PROFILE

Prem Textiles (International) Pvt. Ltd. Was incorporated under the companies Act, 1956 on December 19, 2006 which was subsequently converted to Pvt Ltd. Co.wef March 12, 2008 having its registered office at Sadar Bazar, Bhanpura, District Mandsaur (MP) & Corporate office at -c Sector,Industrial area Sanwer road, Indore. M/s Prem Textiles International Pvt Ltd had taken over the running business of partnership firm M/s Textiles which was doing business since 1973.
The main business of the company is manufacturing of home textile products like bed covers, bed sheets, pillow covers, quilts covers etc.
The Company has a factory at Bhiwandi, Mumbai which has 3 divisions i.e.Spinning & Weaving division, Printing & dying division and Cutting & Stitching division. Presently company has installed capacity of 13500 spindles for spinning and weaving with capacity of processing 1.5 million meters every month which is supplied to Printing & dying division.
M/s Prem Textiles International Pvt Ltd is mainly export oriented unit having almost 80% revenue exports and hedges its entire forex exposure by taking forward contracts from the Banks.

KEY FINANCIAL INDICATORS

		31.3.2019 Audited	31.3.2018 Audited
Total Operating Income	(Rs. Cr)	211.26	176.03
EBITDA	(Rs. Cr)	14.55	5.56
PAT	(Rs. Cr)	1.80	(3.99)
Tangible Networth	(Rs. Cr)	31.06	27.27
Total Debt:TNW	(Times)	2.08	2.43
Current Ratio	(Times)	1.08	0.96

KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

Rating History for the last three years:

<table>
<tr><th>Sl. No.</th><th>Facility</th><th colspan="3">Current Rating (Sep 2019)</th><th colspan="3">Rating History</th></tr>
<tr><td></td><td></td><td>Type</td><td>Amount (Rs. Crs)</td><td>Rating</td><td>Nov 2018</td><td>Apr 2018</td><td>Mar 2017</td></tr>
<tr><td>1</td><td>Fund based
Term Loans
Cash Credit
SLC</td><td>Long Term</td><td>14.98
30.00
2.25</td><td>BWR BBB-
(Pronounced as BWR Triple B Minus)
(Outlook:Stable)
Upgraded</td><td>BWR BB+
(Pronounced as BWR Double B Minus)
(Outlook:Stable)
Reaffirmed</td><td>BWR BB+
(Pronounced as BWR Double B Plus)
Outlook:Stable
Downgraded</td><td>BWR BBB-
(Pronounced as BWR Triple B Minus)
Outlook:Stable
Reaffirmed</td></tr>
<tr><td>2</td><td>Fund Based
EPC/FBP/FBD</td><td>Short Term</td><td>(30.00)</td><td rowspan="2">BWR A3
(Pronounced as BWR A Three)
Upgraded</td><td rowspan="2">BWR A4+
(Pronounced as BWR A Four Plus)
Reaffirmed</td><td rowspan="2">BWR A4+
(Pronounced as BWR A Four Plus)
Downgraded</td><td rowspan="2">BWR A3
(Pronounced as BWR A Three)
Reaffirmed</td></tr>
<tr><td>2</td><td>Non-Fund Based
Letter of Credit
Bank Guarantee
CEL</td><td>Short Term</td><td>3.00
0.25
3.00</td></tr>
<tr><td></td><td></td><td></td><td>53.48</td><td colspan="4">INR Fifty Three Crores and Forty Eight Lakhs Only</td></tr>
</table>

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Manufacturing Companies
- Approach to Financial Ratios
- Short Term Debt

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Annexure I

Details of Rated Bank Facilities

Bank	Name of Facility	Nature of Facility	Rated Amount (Rs.in Cr.)
State Bank of India	Cash Credit	Fund Based-Long Term	30.00
	SLC		2.25
	Term Loans		2.34
	EPC/FBP/FBD	Fund Based- Short Term	(30.00)
	Letter of Credit	Non Fund Based-Short Term	3.00
	Bank Guarantee		0.25
	CEL		3.00
Axis Bank	Term Loans	Fund Based-Long Term	9.41
Madhya Pradesh Finance Corporation	Term Loans	Fund Based- Long Term	3.23
		Total	**53.48**

For print and digital media

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