



Rating Rationale

Prem Textiles (International) Pvt. Ltd.

07 Jul 2020

Brickwork Ratings reaffirm the Ratings at BWR BBB-/A3 and revises the outlook to Negative for Bank Facilities of Rs.61.40 Crs of Prem Textiles (International) Pvt. Ltd. ('PTPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Sep 2019)	Present (Jul 2020)
Fund based	47.23	56.65	Long Term	BWR BBB-/Stable	BWR BBB-/Negative Reaffirmed
Fund Based	(30.00)\$	(35.00)\$	Short Term	BWR A3	BWR A3 Reaffirmed
Non-Fund Based	6.25	4.75	Short Term		
Total	53.48	61.40	INR Sixty One Crores and Forty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

\$sub-limit

RATING ACTION/OUTLOOK

Brickwork rating reaffirms the ratings at BWR BBB-/A3 and revises the outlook to Negative.

The change in outlook is on account of disruption in supply chain due to ongoing lockdown in several countries and global economic slowdown resulting from it. The same is expected to impact the revenue of PTPL in FY21 since exports constitute around 80% of the Company's sales.

The rating continues to draw strength from the promoter's experience in the industry, established relationship with customers and moderate financial risk profile. However, the rating remains constrained by modest scale of operation, stretched liquidity position, and presence in a highly competitive industry.



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 the textile industry. He is supported by his son, Mr. Saurabh Jain who also has gained 15 years of experience in the textile industry. Over the years, the promoters have established healthy business relations with their customers which enables them to receive repeat orders. On account of established track record despite COVID outbreak, as on June 25, 2020 the Company had an order book of Rs.60 Crs.

- **Moderate financial risk profile**

Due to increase in accretion of profits, Tangible Networth of PTPL has increased to Rs.35.05 Crs as on Feb 20, 2020 (prov.). Effectively, Total Gearing of the Company improved to 1.84x as on Feb 29, 2020 (prov.) as against 2.08x as on March 31, 2019.

Operating profit margin has remained moderate at 6.95% for the 11MFY20 period (prov.) as against 6.89% for FY19. As a result, ISCR and DSCR for the 11MFY20 (prov.) period have remained comfortable at 2.49x and 1.62x respectively as against 2.02x and 1.35x for FY19.

Credit Weaknesses

- **Modest scale of operation**

Due to intense competition in the market, the scale of PTPL's business operations remained relatively modest as the Company achieved a TOI of Rs.158.01 Crs and PAT of Rs.3.98 Crs in 11MFY20 period (prov.). The exports continued to constitute around 80% of PTPL's revenue. However, the scale of operations of the Company is expected to get impacted in FY21 due to the ongoing COVID-19 pandemic which has hampered the supply chain and also resulted in demand slowdown across the globe.

- **Presence in a highly competitive industry**

PTPL faces stiff competition from several other domestic as well international players in the market which exerts pressure on its profit margins as well revenue levels.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, Provisional Results upto February 2020, Projections upto FY22, 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 by acquiring sufficient orders, improve its overall financial risk profile and efficiently manage its working capital would be the key rating sensitivities.



Stable: The rating outlook may be revised to Stable, if the company manages to achieve its envisaged sales by acquiring sufficient orders.

LIQUIDITY POSITION: STRETCHED

Due to relatively higher term loan repayments, liquidity position of the Company is stretched as its current ratio as on Feb 29, 2020 continued to be low at 1.14x as against 1.08x as on March 31, 2019. PTPL’s working capital utilisation has been around 95% during the last 6 months. During the past 3 years, the Company has been generating sufficient cash flow of ~Rs.9 Crs as against debt repayments of around Rs.5.00 Crs. However, the cash flow for FY21 is expected to come under pressure due to COVID-19 outbreak.

COMPANY PROFILE

Erstwhile a proprietorship entity started in 1973, Prem Textiles (International) Pvt. Ltd. (PTPL) is an Indore based Company, incorporated in December 2006 by Mr. Subhash Jain.

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 the 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 an 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	31.3.2020 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:

Sl. No.	Facility	Current Rating (July 2020)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Sep 2019	Nov 2018	Apr 2018
1	Fund based Term Loans	Long Term	13.40*	BWR BBB/Negative Reaffirmed	BWR BBB-/Stable Upgraded	BWR BB+/Stable Reaffirmed	BWR BB+/Stable Downgraded
	Cash Credit		41.00				
	SLC		2.25				
2	Fund Based EPC/FBP/FBD	Short Term	(35.00)#	BWR A3 Reaffirmed	BWR A3 Upgraded	BWR A4+ Reaffirmed	BWR A4+ Downgraded
2	Non-Fund Based Capex LC	Short Term	(2.70)\$				
	Bank Guarantee		0.25				
	CEL		4.50				
			61.40	INR Sixty One Crores and Forty Lakhs Only			

*sub-limit of CC, #sub-limit of Term Loan

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [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	41.00
	SLC		2.25
	Term Loans		3.71
	EPC/FBP/FBD	Fund Based- Short Term	(35.00)*
	Capex Letter of Credit	Non Fund Based-Short Term	(2.70)#
	Bank Guarantee		0.25
	CEL		4.50
Axis Bank	Term Loans	Fund Based-Long Term	7.43
Madhya Pradesh Finance Corporation	Term Loans	Fund Based- Long Term	2.26
		Total	61.40

*sub-limit of CC, #sub-limit of Term Loan

INR Sixty One Crores and Forty Lakhs Only



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