

Rating Rationale

Prem Textiles International Private Limited

27 Apr 2018

Brickwork Ratings downgrades the rating for the bank loan facilities of Prem Textiles International Private Limited.

Particulars

Facilities Rated	Tenor	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Previous Rating (March-2017)	Rating*
Fund Based					
Cash Credit	Long Term	27.00	30.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Down gradation
SLC		2.25	2.25		
Term Loan		6.70	5.48		
LC	Short Term	3.00	3.00	BWR A3 (Pronounced as BWR A Three)	BWR A4+ (Pronounced as BWR A Four Plus) Down gradation
BG		0.25	0.25		
CEL		3.00	3.00		
Total		42.20	43.98	(INR Forty Three Crores and Ninety Eight Lakhs Only)	

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

Rationale:

The revision of the rating factors the shortfall in the envisaged performance of the company in terms of operating profitability for the period FY17-18 which led to deterioration in the debt protection metrics. The rating is also constrained by the high gearing ratio, stretched liquidity profile of the company and working capital intensive nature of operations. However, the ratings continues to derive strength from PTIPL's experienced and resourceful promoters who have established track record of operations in the textile industry and established customer base developed over the years.

Key Rating Determinants

Credit Strengths

- a. Long experience of the promoter in the textile industry.
- b. Stable and diversified customer base with year on year improvement in scale of operations.

Credit Weaknesses

- a. Shortfall in the envisaged performance of the company in terms operating profitability for the period FY17-18.
- b. There has been decline in the current ratio from 1.42 times in FY15 to 1.11 times in FY16 to 1.01 times in FY17, indicating pressure on liquidity.
- c. Deterioration in the debt protection metrics on account of shortfall in the envisaged profitability for the period FY17-18.
- d. High gearing ratio marked by D/E of 2.07 times in FY17 as against 1.51 times in FY16.

Going forward, the ability of the company to further scale up its operations along with improvement in its profitability and capital structure while ensuring effective management of its working capital requirement would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Prem Textiles International Private Limited** 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 company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Prem Textiles International Private Limited was incorporated as a limited company in December 2006 by Mr. Subhash Chand Jain. The company is based in Indore, Madhya Pradesh and is engaged in the manufacturing and export of home textile products like bed covers, bed sheets, pillow covers, quilts covers etc.

Company's Financial Performance

Key Financial Parameters	FY17 (A)	FY16 (A)
Total Operating Income (Rs. Crs)	132.76	155.28
PAT (Rs. Crs)	0.05	4.75
Total Debt/Tangible Net worth (time)	2.07	1.51
Current Ratio (times)	1.01	1.11

The company's tangible net worth stood at Rs. 30.39 Crs as on 31-3-2017. For the 11MFY18, the company has posted revenue from operations of Rs. 156.73 Crs.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	30.00	BWR BB+/Stable Downgraded	BWR BBB-/A3 with Stable Outlook	BWR BBB-/A 3 with Stable Outlook	BWR BB+/A4+ with Stable Outlook
2	SLC	Long Term	2.25	BWR BB+/Stable Downgraded			
3	Term Loan	Long Term	5.48	BWR BB+/Stable Downgraded			
4	LC	Short Term	3.00	BWR A4+ Downgraded			
5	BG	Short Term	0.25	BWR A4+ Downgraded			
6	CEL	Short Term	3.00	BWR A4+ Downgraded			
Total			43.98	(INR Forty Three Crores and Ninety Eight Lakhs Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable

Any other information: NIL

Hyperlink/Reference to applicable Criteria



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

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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