

Rating Rationale

Prem Textiles International Private Limited

5 Nov 2018

Brickwork Ratings reaffirms 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 (April-2018)	Rating*
Fund Based					
Cash Credit	Long Term	30.00	30.00	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Reaffirmation
SLC		2.25	2.25		
Term Loan		5.48	21.39		
LC	Short Term	3.00	3.00	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmation
BG		0.25	0.25		
CEL		3.00	3.00		
Total		43.98	59.89	(INR Fifty Nine Crores & Eighty Nine Lakhs Only)	

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

Rationale:

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.

The ratings however are constrained by 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.

Key Rating Determinants

Credit Strengths

- a. Long-standing experience of the promoters in the textile industry and exporting industry for over ten years
- b. Established customer base developed over the years.
- c. Sizeable scale of operations and manufacturing base of the company, over the years, the company has steadily increased its manufacturing capacities in terms of design, fabrics etc. Thus, the company benefits from economies of scale, given its sizeable manufacturing base.

Credit Weaknesses

- d. There has been decline in the current ratio from 1.42 times in FY15 to 1.11 times in FY16 to 0.95 and 0.96 times in FY17 and FY18, indicating pressure on liquidity.
- e. Deterioration in the debt protection metrics on account of shortfall in the envisaged profitability for the period FY17-18 and losses at the PAT level in FY18 to the tune of Rs 3.99 Crs.
- f. High gearing ratio marked by D/E of 2.43 times in FY18 as against 2.07 times in FY16.
- g. Exposed to foreign exchange rate fluctuations and high competitive intensity in the industry which limits its pricing power.

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	FY18(A)	FY17(A)
Total Operating Income (Rs. Crs)	176.03	132.82
PAT (Rs. Crs)	-3.99	0.05
Total Debt	66.19	62.79
Total Debt/Tangible Net worth (time)	2.43	2.07

The company's tangible net worth stood at Rs. 27.27Crs as on 31-3-2018.

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	April 2018	2017	2016
1	Cash Credit	Long Term	30.00	BWR BB+/Stable	BWR BB+/A4+/Stable	BWR BBB-/A3 with Stable Outlook	BWR BBB-/A3 with Stable Outlook
2	SLC	Long Term	2.25	BWR BB+/Stable			
3	Term Loan	Long Term	21.39	BWR BB+/Stable			
4	LC	Short Term	3.00	BWR A4+			
5	BG	Short Term	0.25	BWR A4+			
6	CEL	Short Term	3.00	BWR A4+			
Total			59.89	(INR Fifty Nine Crores and Eighty Nine 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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For print and digital media

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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

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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 ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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