

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' and 'BWR A4+' for Bank Loan facilities aggregating to ₹ 30.66 Cr of Prem Textiles International Pvt. Ltd

Brickwork Ratings has assigned following **Rating**¹ for Bank Credit facilities of Prem Textiles International Pvt Ltd ('PTIPL or 'The company)

Facility	Existing Limits (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	22.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
Term Loan (Fund Based)	0.90		
SLC (Fund Based)	2.25		
Bank Guarantee (Non Fund Based)	0.25	Short Term	BWR A4+ (Pronounced as BWR B Four Plus)
Letter of Credit (Non Fund Based)	3.00		
CEL (Non Fund Based)	2.26		
Total	30.66	INR Thirty Crores And Sixty Six Lakhs Only	

BWR has essentially relied upon audited financial results of FY12, FY13, FY14, 11MFY15 provisional financials and Projected financials for FY15, FY16, publicly available information and information/clarifications provided by the management of the firm.

The rating has factored, inter alia, the promoter's vast experience in the textile industry, infusion of equity and increase in profit margins leading to improvement in debt service coverage ratios. However the rating is constrained by the moderate scale of operations, moderate tangible net worth, exposure to fluctuation in foreign exchange, volatility associated with raw material prices and highly competitive nature of the industry.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

PTIPL was incorporated as a limited company in December 2006 by Mr Subhash Chand Jain. Subsequently it was converted to a private limited company in the year 2008 PTIPL merged two group entities with itself namely M/s Prem Textiles a partnership concern and M/s Samaria Processing Company Private Limited. 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. The processing facilities of the company are located at Indore and Barwaha in Madhya Pradesh.

Financial Performance:

PTIPL's Total Operating Income has increased from Rs.110.72 Cr in FY13 to Rs.156.01 Cr in FY14 and stood at Rs 122 Cr as per 11MFY15 provisional financials as the market prices of the final products decline commensurate with the cotton prices. Operating Profit of the firm has marginally increased from Rs.5.83 Cr in FY13 to Rs.10.40 Cr in FY14 through the effective management of operating expenses in FY14. The operating margins thereby improved from 5.26% in FY13 to 6.27% in FY14. The tangible net worth of the firm has marginally improved from Rs.18.05 Cr in FY13 to Rs.20.70 Cr in FY14 and increase to Rs27.95 as per 11MFY15 provisionals through infusion of funds and retention of profits in the business, The gearing although reduced from 1.86 times in FY13 to 1.56 times in FY14 and continues to remain at moderate level.

Rating Outlook:

PTIPL's performance over the next year is expected to be stable. Going forward, the company's ability to increase revenues from its core operations, register consistent growth in turnover with an increase in profitability margins, retain and infuse capital to manage its gearing, diversification of customer base and geographical coverage, efficiently manage the working capital and aligning with the government's policy pertaining to textile industry will be the key rating sensitivities

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