

Rating Rationale

Brickwork Ratings Revises ratings to 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities amounting to ₹ 38.38 Cr of Prem Textiles International Pvt. Ltd.

Brickwork Ratings has revised the following **Ratings¹** for the bank loan facilities of Prem Textiles International Pvt. Ltd (**"PTIPL" or "the Company"**). as follows

| Facilities (State Bank of India) | Previous Amount Mar-2015 | Amount To be Rated (Crs) | Tenure | Rating History March-2015 | Present Rating |
|-------------------------------------|--------------------------------|--------------------------------|--|---|--|
| Fund Based | | | Long Term | BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable | Revised to BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable |
| CC | 22 | 27 | | | |
| Slc | 2.25 | 2.25 | | | |
| Corporate Loan* | - | 0.45 | | | |
| Term Loan* | 0.9 | 2.43 | | | |
| Total Fund Based | 25.15 | 32.13 | | | |
| Non Fund Based | | | Short Term | BWR A4+ (Pronounced as BWR B Four Plus) | Revised to BWR A3 (Pronounced as BWR A Three) |
| LC | 3 | 3 | | | |
| BG | 0.25 | 0.25 | | | |
| CEL | 2.26 | 3 | | | |
| Total Non Fund based | 5.51 | 6.25 | | | |
| Amount Rated | 30.66 | 38.38 | Thirty Eight Crores & Thirty Eight Lakhs only | | |

*O/S amount s on 14/12/2015

BWR has essentially relied upon audited financials of FY13, FY14 and FY15, provisional of FY 16 first half and projections of FY17 & publicly available information and information/clarification provided by the management.

The revision of ratings has factored promoter's significant experience in the textile industry, company's established customer base in key international market, healthy debt protection metrics and improvement in profit margins. The rating is however constrained by profitability susceptible to volatility in cotton & yarn prices, working capital intensive nature of operations, highly regulated nature of the textile industry and intense competition from organized as well as unorganized players.

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.

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

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:

The Company has posted operating income of Rs. 138.69 Crs in FY15 as against Rs. 156.01 Crs in FY14 resulting into a decrease in the top line by @11% which is due to inventory valuation losses on a 20% decline in cotton prices in FY15, company has achieved a turnover of 88.12 Crs in FY16 first half. The operating profit margins stood at 6.86 percent in FY 15 as against 6.67 Percent in FY 14. The Firm has reported a profit of Rs. 2.86 Crs in FY15 as against profit of Rs. 2.66 Crs in FY14. The tangible net worth of the Company reported at Rs. 25.59 Crs in FY15.

Outlook-Stable

The outlook for the company is expected to be stable over the next twelve months. Going forward, the ability of the company to consistently increase its revenue and manage the inventory, sustain the improvement in profitability & manage its working capital efficiently would be the key rating sensitivities.

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