

Press Release

Priyadarshini Filaments Private Limited

September 20, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.72 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.8.72 crore bank facilities of Priyadarshini Filaments Private Limited. The outlook is 'Stable'.

The rating reaffirmation reflects sustenance of the revenues and profitability while maintaining the comfortable financial risk profile. The ratings are constrained by moderate scale and working capital intensive operations as reflected by increase in gross current assets from 132 days in FY2017 to 161 days in FY2018.

Incorporated in 1988, Priyadarshini Filaments Private Limited (PFPL) manufactures technical textile products. The company manufactures HDPE/PP monofilament mesh fabrics, Laminated & Unlaminated Woven Bags, Leno Bags, Knitted Sacks and Shading Nets. The products are used in various applications in the field of agriculture, aquaculture, floriculture and consumer textiles. The company has installed capacity of 120 tons per month at its facility located in Bangalore.

Key Rating Drivers

Strengths

- **Experienced Management and established track record of operations**

The promoters Mr. Vivek R. Prabhu, Mr. Sudhir R. Prabhu, and Mr. Dayanand Kamath possesses more than four decades of experience in the technical textile industry. Mr. Vivek R. Prabhu is the technocrat and holds degree in textile engineering. The company has a dealer network of 45 across India. The company as on August 2018 has orders to the extent of ~Rs.12 crore, which provides revenue visibility over the next two quarters. Acuite believes that the established relationship with the dealers and long track record of the company would drive the business profile over the medium term.

- **Comfortable Financial Risk Profile**

The financial risk profile is marked by healthy gearing, moderate net worth and debt protection metrics. Gearing is healthy at 0.89 times (Provisional) as on March 31, 2018 as compared to 0.83 times as on March 31, 2017. However, total outside liabilities to total net worth is moderate at around 1.37 times as on March 31, 2018 (Provisional) as against 1.18 times in FY2017. The net worth stood at Rs.8.75 crore as on March 31, 2018 (provisional) as against Rs.7.45 crore as on March 31, 2017 aided by accretion of profits to internal accruals. The company's debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 3.17 times and 0.22 times respectively for FY2018 (Provisional) as against 2.00 times and 0.11 times respectively for FY2017. Acuite believes that the financial risk profile is expected to be at similar levels as the firm is not envisaging any major debt-funded capex over the medium term.

Weaknesses

• Intense Working Capital Requirements

The company's operations are working capital intensive as evident from gross current assets (GCA) days of 161 as on March 31, 2018 (provisional) as against 132 days in FY2017. Inventory days are high at about 112 (provisional) as on March 31, 2018 due to diversified product portfolio. Debtor and creditor days are moderate at 49 and 76 in FY2018 (provisional) respectively as compared to 25 and 49 respectively in FY2017; attributed to credit period of 30-45 days given to dealers. The working capital limits are utilized to the extent of 90 to 95 per cent ending August 2018. Acuite believes that the operations continue to be working capital intensive further fueled by expected growth in revenues in the range of Rs.45.0 -55.0 crores over the medium term.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the PFPL to arrive at this rating.

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the medium term from its promotor's industry experience and established track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in revenues while improving its working capital management and sustaining the profitability levels. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management due to inordinate delay in receipt of payments from clients or any larger-than-envisaged debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.94	31.69	30.84
EBITDA	Rs. Cr.	2.97	1.48	1.49
PAT	Rs. Cr.	1.27	0.28	3.70
EBITDA Margin	(%)	8.03	4.67	4.82
PAT Margin	(%)	3.42	0.87	11.98
ROCE	(%)	17.65	9.22	41.80
Total Debt/Tangible Net Worth	Times	0.89	0.83	0.89
PBDIT/Interest	Times	3.17	2.00	5.60
Total Debt/PBDIT	Times	2.54	3.74	1.25
Gross Current Assets (Days)	Days	161	132	136

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Sept-2017	Term Loan	Long Term	1.12	ACUITE BB/ Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.75	ACUITE BB/ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	1.60	ACUITE BB/ Stable (Reaffirmed)
29-July-2016	Term Loan	Long Term	1.12	ACUITE BB/ Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.75	ACUITE BB/ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	1.60	ACUITE BB/ Stable (Reaffirmed)
7-July-2015	Term Loan	Long Term	1.12	ACUITE BB/ Stable (Assigned)
	Secured Overdraft	Long Term	3.75	ACUITE BB/ Stable (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Assigned)
	Proposed Term Loan	Long Term	1.60	ACUITE BB/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE BB/ Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE BB/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE BB/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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