

Press Release

Prithvi Innerwears (PI)

09 March, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs.5.79 Cr.
Long Term Rating	SMERA BBB-/Outlook: Stable(Upgraded)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the above mentioned facility of Prithvi Innerwears to **'SMERA BBB-'(read as SMERA triple B minus)** from **'SMERA BB'** (read as SMERA double B). The outlook is **'Stable'**.

Prithvi Innerwears (PI), established in 2009 is a Tirupur (Tamil Nadu) based partnership firm engaged in the manufacturing of inner wear for women and kids. The firm, established by Mr. S. Balan and Mr. B. Poongodi has installed manufacturing capacity of 50,000 pieces per day. The facility is located at Tirupur.

The rating upgrade reflects sustained growth in revenue profile, increased demand for products, improvement in profitability and financial risk profile.

Key rating drivers

Strengths

Experienced management: The Managing partner, Mr. Balan possesses around two decades of experience in the textile business while Mrs. Poongodi B has more than seven years of experience. Both the partners are actively involved in the day-to-day operations of the firm.

Increasing scale of operations: The firm generated revenue of Rs.42.22 crore in FY2017 increased from Rs.33.17 crore in FY2016 due to increase in production capacity coupled with increase in demand for the products in the medium segment in which the firm operates. The firm generated operating income of ~Rs.51 crore from April 01, 2017 to February 20, 2018 (Provisional). The operating margins improved from 6.28 per cent in FY2016 to 6.99 per cent in FY2017 due to decrease in raw material cost and better absorption of fixed costs such as employee expenses.

Average financial risk profile: The average financial risk profile is marked by low net worth, moderate gearing and comfortable debt protection measures. The net worth levels stood at Rs.4.71 crore as on 31 March, 2017 as compared to Rs.3.32 crore in the previous year. The gearing levels remained moderate at 1.13 times in FY2017 compared to 0.99 times in FY2016. The Interest Coverage levels increased to 9.60 times in FY2017 from 6.12times in FY2016 due to increase in the profitability levels coupled with decline in interest expenses. The Net Cash Accruals to Total debt (NCA/TD) stood at 0.50 times in FY2017 as compared to 0.53 times in FY2016.

Moderate working capital management: The entity has moderate working capital management, as reflected in the moderate Gross Current Assets (GCA) of 59 days as on 31 March, 2017 compared to 49 days as on 31 March, 2016 due to moderate debtor and inventory days. The inventory days in FY2017 stood at 35 compared to 19 in FY2016. The receivable days in FY2017 stood at 23 compared to 30 in FY2016. The firm provides credit period of ~30 days to customers.

Weaknesses

Competitive and fragmented industry: PI operates in a highly competitive and fragmented industry characterised by a large number of organised as well as unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PI.

Outlook: Stable

SMERA believes that PI will continue to maintain a Stable outlook over the medium term owing to its promoters' industry experience. The outlook may be revised to 'Positive' if the firm registers increase in operating revenues, and sustains its cash accruals thus leading to steady improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the capital structure.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.22	33.17	24.06
EBITDA	Rs. Cr.	2.95	2.08	1.40
PAT	Rs. Cr.	1.85	1.23	0.77
EBITDA Margin (%)	(%)	6.99	6.28	5.83
PAT Margin (%)	(%)	4.39	3.70	3.19
ROCE (%)	(%)	25.97	26.38	39.26
Total Debt/Tangible Net Worth	Times	1.13	0.99	1.57
PBDIT/Interest	Times	9.60	6.12	5.25
Total Debt/PBDIT	Times	1.80	1.58	2.29
Gross Current Assets (Days)	Days	59	49	70

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07Nov, 2017	Cash Credit	Long Term	4.00	SMERA BB (Indicative)
	Term Loan	Long Term	0.30	SMERA BB (Indicative)
	Proposed Long Term Loan	Long Term	1.49	SMERA BB (Indicative)
01Jul, 2016	Cash Credit	Long Term	4.00	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.04	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.12	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.14	SMERA BB/Stable (Assigned)
	Proposed Long Term Loan	Long Term	1.49	SMERA 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
CashCredit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB- /Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.43	SMERA BBB- /Stable (Upgraded)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.36	SMERA BBB- /Stable (Upgraded)

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ABOUT SMERA

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