

Press Release

PREMIER COTSPIN LIMITED

24 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.70 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 8.70 crore bank facilities of PREMIER COTSPIN LIMITED. The outlook is '**Stable**'.

Premier Cotspin Limited (PCL) was established in 2008 by Mr. Virender Garg. The company is engaged in the spinning of cotton yarn and has installed capacity of 14 MT/day. The manufacturing facility is located at Patiala, Punjab.

Key Rating Drivers

Strengths

• Experienced management

The promoter, Mr Virender Garg has experience of over a decade in the textile industry which has helped build long term relations with customers and suppliers. The company, established in 2008, has healthy track record of operations.

• Average financial risk profile

The average financial risk profile is marked by moderate net worth of Rs.8.24 crore in FY2017, which increased from Rs.7.78 crore in FY2016, mainly on account of retention of current year profit. The debt equity stands moderate at 1.11 times in FY2017, a decline from 1.58 times in FY2016, mainly due to repayment of term loan. The Interest coverage ratio stood at a comfortable 4.67 times in FY2017 and debt service coverage ratio at 0.85 times. The Net cash accrual to total debt stood low at 0.04 times (negative) and debt service coverage ratio at a low of 0.20 times in FY2017. Going forward, the ratios are expected to improve as the company has no debt funded capex plans.

Weaknesses

• Working capital intensive operations

PCL's operations are working capital intensive marked by gross current asset day of 125 during FY2017 compared to 150 days in FY2016. This necessitates working capital requirement as major funds gets blocked in debtor. The debtor days stood at 85 in FY2017 and 55 in FY2016 respectively.

• Moderate scale of operations

The revenue stood at a moderate Rs. 35.95 crore in FY2017, an increase from Rs.33.69 crore in FY2016 and Rs.41.60 crore in FY2015, mainly due to decrease in raw material prices. The company booked Rs.22.00 crore in the current fiscal till September.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of PCL.

Outlook: Stable

SMERA believes, PCL will maintain a stable business risk profile in the medium term on account of its

experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, PCL reported profit after tax (PAT) of Rs 0.48 crore on total operating income of Rs.35.95 crore, compared with PAT of Rs.0.19 crore on total operating income of Rs.33.69 crore in FY2015-16. The tangible net worth stood moderate at Rs.8.24 crore in FY2017.

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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 loans	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B+ / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA B+ / Stable

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