

Press Release

Petrole Services India Private Limited

06 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BBB / Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA BBB**' (read as SMERA triple B) on the Rs.15.00 crore bank facilities of Petrole Services India Private Limited. The outlook is '**Stable**'.

Petrole Services India Private Limited (PSIPL) based out of Haryana was incorporated in 1994. The company was taken over by Mohan Clothing Company Private Limited (MCCPL) in 2015. PSIPL is a wholly owned subsidiary of MCCPL which is engaged in manufacturing of men's apparels under the brand name 'Blackberrys'. PSIPL is currently developing a commercial property to be leased out to MCCPL. The estimated project cost is Rs.26.08 crore which will be funded through Rs.15.00 crore of bank debt and Rs.11.08 crore by way of promoters support.

Key Rating Drivers

Strengths

- **Support from parent company-MCCPL**

The rating factors in the strong credit profile of PSIPL's parent company Mohan Clothing Company Private Limited (MCCPL) (SMERA A/Stable). MCCPL is having 99 percent stake in PSIPL and has entered into a lease agreement with PSIPL to setup its head office.

MCCPL is a Haryana-based company incorporated by Mr. Mohan and family. The company is engaged in manufacture of men's apparels under the brand name 'Blackberrys'. Its clothing line includes formals, casuals, party wears among others.

The property being developed by PSIPL will be leased out to MCCPL on a lease agreement of nine years and will be operationally important to MCCPL. The lease is expected to commence from November 2018. SMERA believes that PSIPL will benefit from MCCPL's strong financial risk profile and liquidity position, thus assuring stable cash flows.

- **Comfortable debt servicing ability along with structured payment mechanism**

PSIPL has comfortable debt servicing ability with adequate lease rentals for payment of interest and principal on term loan. Further, the rating is supported by structured payment mechanism with the presence of Debt Service Reserve Account (DSRA) for amount equivalent to one month lease rental along with corporate guarantee provided by MCCPL.

Weaknesses

- **Project execution risk**

The company is developing a commercial property to be leased out to MCCPL. The total project cost is around Rs.26.08 crore and it is expected to be complete by July 2018. SMERA believes that attaining project completion as per schedule without any cost overruns will remain the key rating sensitivity.

• Susceptibility of future cash flows of PSIPL to the counterparty's performance under the lease arrangements

PSIPL's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals under the lease arrangement. The occurrence of events such as delays in receipt of rentals or early exits/renegotiation by lessee may result in disruption of cash flow streams, thereby affecting the debt servicing ability of PSIPL. However, the risk is mitigated on the back of strong credit profile of the counterparty i.e. MCCPL.

Analytical Approach

SMERA has taken a standalone view of PSIPL and also has factored in the support by MCCPL.

Outlook: Stable

SMERA believes that PSIPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and reputed tenant. The outlook may be revised to 'Positive' in case the company is able to demonstrate significantly better than envisaged coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company faces challenges in completion of project, maintaining coverage indicators or adverse movements in the credit profile of the tenant.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	-0.08	-0.11	-0.04
PAT	Rs. Cr.	-0.18	-0.11	-0.17
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	-16.86	-24.40	66.96
Total Debt/Tangible Net Worth	Times	-2.23	-1.72	-0.78
PBDIT/Interest	Times	-1.06	-0.38	-15.28
Total Debt/PBDIT	Times	-15.56	-28.42	-1.77
Gross Current Assets (Days)	Days	0	0	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB / Stable (Assigned)

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ABOUT SMERA

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