Press Release

Perlei Textiles Private Limited

June 20, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.35.00 crore bank facilities of Perlei Textiles Private Limited (PTPL). The outlook is **'Stable'**.

PTPL was incorporated by Mr. Amit Giriraj Mohatta and Mr. Marcus Luz in September 2010. The company is engaged in the manufacture of readymade garments for women and kids. They have three manufacturing facilities located in Tirupur (Tamil Nadu). PTPL derives more than 95 percent of its revenue from overseas markets.

Key Rating Drivers

Strengths

- **Experienced management**
  Both promoters have more than two decades of experience in textile industry. Mr. Marcus Luz is a German national who owns 30 percent stake in PTPL through M/s Perlei GMBH. He also owns Marie Francoise Gmbh & Co., a garment company from whom PTPL derives ~10-15 percent of its revenue.

- **Healthy financial risk profile albeit on a modest net worth base**
  PTPL has moderate financial risk profile marked by tangible net worth of Rs.14.67 crore as on 31 March, 2018 (Provisional) as against Rs.11.66 crore as on 31 March, 2017 and Rs.9.21 crore as on 31 March, 2016. The debt to equity ratio stood at 1.07 times as on 31 March, 2018 (Provisional) as against 0.81 times as on 31 March, 2017 and 1.42 times as on 31 March, 2016. The debt of Rs.15.66 crore mainly consists of term loans of Rs.2.34 crore and working capital borrowings of Rs.13.32 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 3.70 times for FY2018 (Provisional) as against 4.06 times for FY2017 and 3.67 times for FY2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.28 times as on 31 March, 2018 (Provisional) as against 0.39 times as on 31 March, 2017.

Weaknesses

- **Customer concentration and geographic concentration risk**
  The company faces high customer concentration and geographic concentration risk. Its major customers, Mayoral Moda Infantil and Mayoral International Stores, accounted for about 55-65 percent of its sales in the last three year period. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers. Further, its sales to the European market accounts for more than 95 percent every year exposing PTPL to a high geographic concentration, changes in customers procurement policies and regulatory environment in the exported countries that can impact the business of suppliers such as PTPL.

- **Decline in revenues**
  PTPL has registered revenue decline of ~22.35 percent in FY2018 (Provisional). The revenues declined to Rs.71.79 crore in FY2018 (Provisional) from Rs.92.46 crore in FY2017 and Rs.76.13 crore in FY2016. The decline was mainly due to loss of orders from customers. The PAT margin stood at 2.68 percent in FY2017 as against 3.31 percent in FY2016. The net cash accruals declined from Rs.3.69 crore in FY2017 to Rs.3.36 crore in FY2018 (Provisional). Acuité believes that PTPL will continue to face intense competition from other local players in RMG segment and other international markets such as Taiwan, Vietnam, Bangladesh, amongst others in near to medium term.

Analytical Approach

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

Outlook: Stable

Acuité believes that PTPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	71.79	92.46	76.13
EBITDA	Rs. Cr.	5.39	6.13	5.47
PAT	Rs. Cr.	2.02	2.48	2.52
EBITDA Margin	(%)	7.50	6.63	7.19
PAT Margin	(%)	2.82	2.68	3.31
ROCE	(%)	17.82	24.97	23.95
Total Debt/Tangible Net Worth	Times	1.07	0.81	1.42
PBDIT/Interest	Times	3.70	4.06	3.67
Total Debt/PBDIT	Times	2.65	1.43	2.20
Gross Current Assets (Days)	Days	122	78	120

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/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.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
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	2.04	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.96	ACUITE BB / Stable

Contacts

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About Acuité Ratings & Research:
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