

Press Release

Phenix Spinning Private Limited

October 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 31.00 crore bank facilities of Phenix Spinning Private Limited (PSPL). The outlook is '**Stable**'.

PSPL, incorporated in 2014, based at Amreli (Gujarat) is engaged in manufacturing and export of cotton yarn. The company has cotton ginning and yarn manufacturing facilities at Amreli. Currently, the company has installed 17,960 spindles and exports contribute to 95.00 percent of revenues. The major products of the company include 30s Carded Knitting yarn and 20s Combed Knitting yarn.

Analytical Approach

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

Key Rating Drivers:

Strengths

- Experienced management**

The company was established by Mr. Dharmesh Patel, Mr. Dhaval Patel, Mr. Dharmendra Hirpara, Mr. Tejas Patel and Mr. Jigar Rupala among others. The key promoters have diversified experience of more than a decade in various industries like textile, food processing, real estate construction, and plastic. The experience of promoters has helped the company in smooth execute of the project and establish customer and supplier base.

- Healthy financial risk profile**

The healthy financial risk profile of is marked by its healthy net worth, comfortable gearing and debt protection metrics. The net worth stood at healthy levels of Rs.36.42 crore as on 31 March, 2018 as against Rs.34.73 crore in the previous year. The debt-equity (Gearing) stood comfortable at 0.70 times as on 31 March, 2018 which has improved from 1.00 times in the previous year. The gearing ratio has remained low in the past three years ended 31 March, 2018. The interest coverage ratio stood comfortable at 3.05 times in FY2018 and 5.51 times in FY2017. The Debt Service Coverage Ratio (DSCR) also stood moderate at 1.65 times for FY2018.

- Comfortable working capital cycle**

The working capital cycle stood comfortable marked by improving Gross Current Asset (GCA) days of 86 in FY2018 as compared to 112 days in FY2017 respectively. The comfortable GCA days are on account of low debtor days of 15 in FY2018 and 13 days in FY2017. PSPL on an average provides credit period of 15 to 30 days to its domestic customers and 100 percent advance for the exports. The inventory is generally maintained between 45 - 60 days for its products which is observed during FY2018 and FY2017 respectively. Further, the comfortable working capital cycle is reflected from the low utilisation of ~15.31 percent of its working capital facilities of Rs.7.00 crore during the last six month ended August 2018.

Weaknesses

• Client concentration risk

The company started its commercial operations since 2015 and exports its products through merchant exporters. The exports contribute about 90 to 95 percent of the total sales and the top three merchant exporters contribute to 82.07 percent in FY2018 and 71.42 percent in FY2017 of the total exports. This exposes company to concentration risk in terms of marketing and selling of their products. If any change in terms or dispute with the intermediates will result in decline in sales and margins. However, the company has started tapping new markets and plans to market their products in different countries which will reduce the concentration risk to certain extent.

• Highly fragmented textile industry

The Indian textile industry is highly fragmented and competitive marked by presence of large number of organised and unorganised players. This restricts company pricing flexibility and bargaining power with its customers. However, the company is able to charge premium from its customer's for its products by maintaining high quality.

Outlook: Stable

Acuité believes that PSPL will continue to maintain 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' if the company reports increased operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	94.60	76.76	18.56
EBITDA	Rs. Cr.	13.62	10.84	3.41
PAT	Rs. Cr.	1.71	1.62	-1.79
EBITDA Margin	(%)	14.40	14.12	18.34
PAT Margin	(%)	1.81	2.11	-9.62
ROCE	(%)	8.57	4.19	2.68
Total Debt/Tangible Net Worth	Times	0.70	1.00	1.08
PBDIT/Interest	Times	3.05	5.51	1.52
Total Debt/PBDIT	Times	1.79	3.00	9.98
Gross Current Assets (Days)	Days	86	112	291

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

Not Applicable

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	22.45	ACUITE BBB-/ Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.55	ACUITE A3

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.