



Press Release
Prafful Overseas Private Limited
December 19, 2023
Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.71	ACUITE C Downgraded	-
Bank Loan Ratings	10.21	-	ACUITE A4 Assigned
Bank Loan Ratings	96.29	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	154.21	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating to '**ACUITE A4**' (read as **ACUITE A4**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 144 Cr. bank facilities of Prafful Overseas Private Limited (POPL).

Also, Acuite has assigned the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs. 10.21 Cr. bank facilities of Prafful Overseas Private Limited (POPL).

Rationale for rating downgrade

The rating downgrade is majorly on account of delays reported in servicing of debt obligations by the company in publicly available credit bureau information reports, declining profitability, working capital intensive nature of operations and stretched liquidity position. Furthermore, Acuite also takes a note regarding failure of submitting the latest bank statements of the company.

About the Company

Prafful Overseas Pvt. Ltd. (POPL) was incorporated in 1993 by Aggarwal family. The Surat based company is primarily engaged in production of nylon filament yarn and nylon mono yarn with annual production capacity of 16,800 metric tons. The company also undertakes fabric embroidery work.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the POPL to arrive at this rating

Key Rating Drivers

Strengths

Established track record of operations and experienced management

POPL was established in 1993 by Aggarwal family, which is into the textile business since past 4 decades. Mr. Narain Aggarwal, managing director of POPL has over 38 years of experience in the textile business. POPL was earlier engaged in processing of fabrics including fabric embroidery. Later in 2009, the company started manufacturing of nylon yarn. The company has two variants of nylon yarn viz. fully drawn filament and mono filament.

Weaknesses

Declining Profitability

The profitability of the company has been declining YoY as reflected in its EBITDA margin which stood at 7.06% in FY23 as against 8.58% in FY22 and 12.49% in FY21. However, despite declining profitability, the operations of company witnessed a modest growth of 2.19% YoY as reflected in the operating income which stood at Rs. 406.44 Cr in FY23 as against Rs. 397.72 Cr in FY22.

The company earns its revenue from a number of segments including Nylon Yarn, Fabric, Power, Export sales, other sales and scrap and wastage sale. The company earned 89% of its revenue in FY23 from manufacturing of Nylon Yarn, 5.11% from trading of fabrics, 0.74% from Power generation, 0.19% from export sales, 3.54% from other sales which includes sale of surplus raw material and 1.41% from scrap and wastage sale. The company has an order book of Rs. 36.32 Cr in FY23 out of which orders worth Rs. 15.37 Cr has already been executed and Rs. 20.95 Cr is pending as on date. There has been a substantial YoY decline from the revenue earned from trading of fabrics and exports as the company is planning to close both these sources of revenue as the company is focusing on strengthening their R&D facility to improve the profitability.

Working Capital operations intensive in nature

The operations of the company are intensive in nature marked by GCA days which although improved yet remained high at 155 days in FY23 as against 170 days in FY22. The receivable days of the company stood at 51 days in FY23 as against 81 days in FY22. The inventory levels of the company stood at 105 days in FY23 as against 93 days in FY22. The creditor days of the company stood at 49 days in FY23 as against 56 days in FY22. The company gives a credit period of 60-70 days to its debtors and receives a credit period of 120 days from its suppliers. The average bank limit utilisation by the company stood at 92.77% for Fund Based Facilities and 81.70% for Non-Fund Based Facilities in FY23.

Delay in repayment of debt obligations

The company has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligations in a timely manner.

Rating Sensitivities

- Timely servicing of debt obligations
- Improvement in operations and profitability

All Covenants

None

Liquidity Position Stretched

The liquidity position of the company remains stretched on account of inadequate net cash accruals against the repayment obligation. The net cash accruals stood at Rs. 18.64 Cr as

against Rs. 19.72 Cr in FY23. Furthermore, the company has high GCA days which improved yet remained high at 155 days in FY23 as against 170 days in FY22. The average bank limit utilisation by the company stood at 93.02% for Fund Based Facilities and 81.70% for Non-Fund Based Facilities in FY23. The company maintains a cash and bank balance of Rs. 0.05 Cr in FY23.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	406.44	397.72
PAT	Rs. Cr.	5.57	5.46
PAT Margin	(%)	1.37	1.37
Total Debt/Tangible Net Worth	Times	0.87	1.09
PBDIT/Interest	Times	2.76	2.59

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

Not Applicable

Any other information

Acuite is yet to receive the latest bank statements from the rated entity despite repeated requests and followups.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Sep 2023	Term Loan	Long Term	3.18	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	0.31	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	3.45	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	1.75	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.68	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	14.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.42	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	31.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.58	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.01	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	4.06	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	2.76	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	17.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	9.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	5.17	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	6.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	17.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Covid Emergency Line	Long Term	2.88	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.75	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Covid emergency line	Long Term	0.31	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.75	ACUITE BBB- Stable (Reaffirmed)
		Long		

23 Jun 2022	Covid emergency line	Term	2.88	ACUITE BBB- Stable (Reaffirmed)
	Covid emergency line	Long Term	3.45	ACUITE BBB- Stable (Reaffirmed)
	Covid emergency line	Long Term	1.75	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Reaffirmed)
	Covid emergency line	Long Term	4.06	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.01	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.68	ACUITE BBB- Stable (Reaffirmed)
	Covid emergency line	Long Term	2.76	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Reaffirmed)
	Covid emergency line	Long Term	5.17	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.13	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	3.42	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	3.18	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.58	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	31.00	ACUITE A3 (Reaffirmed)
13 Apr	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.42	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	31.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	6.60	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.44	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	17.10	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)

2021	Term Loan	Long Term	1.58	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.22	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	9.21	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	10.30	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.13	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE A4 Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE C Downgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE C Downgraded
Catholic Syrian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE C Downgraded
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.22	ACUITE C Downgraded
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.76	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.01	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.38	ACUITE C Downgraded
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.53	ACUITE C Downgraded
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.88	ACUITE C Downgraded
Catholic Syrian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.18	ACUITE C Downgraded
Catholic Syrian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.79	ACUITE A4 Downgraded
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A4 Downgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A4 Downgraded
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A4 Downgraded
Catholic Syrian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.21	ACUITE A4 Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.75	ACUITE C Downgraded

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Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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