



Press Release
Prafful Overseas Private Limited
May 06, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.71	ACUITE D Downgraded	-
Bank Loan Ratings	106.50	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	154.21	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE C**' (read as **ACUITE C**) and short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 154.21 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 mainly on account of its stretched liquidity position emanating from the declining profitability and working capital intensive nature of operations.

About the Company

Prafful Overseas Private Limited (POPL) was incorporated in 1990 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 1990 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

Delay in repayment of debt obligations and overdues in Letter of Credit devolvement payments

Due to the severe liquidity constraints leading to mismatches in the cash flows of the company, there has been delays in servicing debt repayments in a timely manner by POPL.

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 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 November 2023. 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.

Rating Sensitivities

- Timely servicing of debt obligations

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. in FY23 as against Rs. 19.79 Cr. in FY22. 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

None

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
19 Dec 2023	Cash Credit	Long Term	14.00	ACUITE C (Downgraded from ACUITE BB+)
	Cash Credit	Long Term	7.00	ACUITE C (Downgraded from ACUITE BB+)
	Cash Credit	Long Term	9.00	ACUITE C (Downgraded from ACUITE BB+)
	Cash Credit	Long Term	1.00	ACUITE C (Downgraded from ACUITE BB+)
	Term Loan	Long Term	1.75	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	3.22	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	2.76	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	2.01	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	1.38	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	2.53	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	2.88	ACUITE C (Downgraded from ACUITE BB+)
	Covid Emergency Line.	Long Term	0.18	ACUITE C (Downgraded from ACUITE BB+)
	Letter of Credit	Short Term	31.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	6.50	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	17.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	17.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	24.79	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	10.21	ACUITE A4 (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	9.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	1.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	3.42	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	3.18	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	5.58	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	1.01	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term	Long		ACUITE BB+ (Downgraded & Issuer not co-

08 Sep 2023	Bank Facility	Term	0.68	operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	5.17	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	2.76	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	3.45	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	1.75	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	4.06	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	2.88	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	0.31	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	1.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	0.75	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Letter of Credit	Short Term	31.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	6.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	17.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	17.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
23 Jun 2022	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	31.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.13	ACUITE BBB- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.75	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.75	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	3.45	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.76	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.17	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)

	Covid Emergency Line.	Long Term	0.31	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.88	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	4.06	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.68	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.01	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.18	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.42	ACUITE BBB- Stable (Reaffirmed)
13 Apr 2021	Bank Guarantee (BLR)	Short Term	6.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	31.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	17.10	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.30	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.42	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.22	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.60	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.21	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.58	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.44	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.13	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.50	ACUITE D Downgraded (from ACUITE A4)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE D Downgraded (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE D Downgraded (from ACUITE C)
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE D Downgraded (from ACUITE C)
Catholic Syrian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE D Downgraded (from ACUITE C)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.22	ACUITE D Downgraded (from ACUITE C)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.76	ACUITE D Downgraded (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.01	ACUITE D Downgraded (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.38	ACUITE D Downgraded (from ACUITE C)
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.53	ACUITE D Downgraded (from ACUITE C)
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.88	ACUITE D Downgraded (from ACUITE C)
Catholic Syrian Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.18	ACUITE D Downgraded (from ACUITE C)
Catholic Syrian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.21	ACUITE D Downgraded (from ACUITE A4)

Catholic Syrian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.79	ACUITE D Downgraded (from ACUITE A4)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.00	ACUITE D Downgraded (from ACUITE A4)
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE D Downgraded (from ACUITE A4)
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE D Downgraded (from ACUITE A4)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.75	ACUITE D Downgraded (from ACUITE C)

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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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