

Promotional Club

April 12, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	14.28	CARE BB; ISSUER NOT COOPERATING (Double B ; ISSUER NOT COOPERATING)	Issuer Not Cooperating
Short-term Bank Facilities	10.45	CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)	Issuer Not Cooperating
Total Facilities	24.73 (Rupees Twenty Four crore and Seventy Three lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Promotional Club (PLC), to monitor the rating(s) vide e-mail communications/ letters dated March 17, 2017, and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Promotional Club's bank facilities will now be denoted as **CARE BB/CARE A4; ISSUER NOT COOPERATING**. **Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

Detailed description of the key rating drivers

At the time of last rating in September 16, 2016, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Small scale of operations along with elongated working capital cycle days

Promotional Club's scale of operations are small, which inherently limits the firm's financial flexibility in times of stress and deprives it from scale benefits. Furthermore, the business of the firm remained working capital intensive as indicated by the elongated operating cycle over the past years

Highly fragmented industry resulting in intense competition from both organized and unorganized players

The readymade garment industry in India is highly fragmented and dominated by a large number of independent and small scale unorganized players leading to high competition among the industry players. Smaller companies/firms like PLC in general are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability as compared with larger companies who have better efficiencies and pricing power considering their scale of operations.

Fortunes linked to textile industry

Indian textile industry which is the second largest employer after agriculture and account for 4% of the GDP is inherently cyclical in nature. Any adverse changes in the global economic outlook as well as demand-supply scenario in the domestic market directly impacts demand of the textile industry.

Foreign exchange fluctuation risk along with partnership nature of constitution

PLC revenues are dependent on exports which exposes the firm to foreign exchange fluctuation risk. Any adverse movement in the currency rate during this period can impact the profitability of the firm.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Key Rating Strengths

Experience of partners in apparel industry

Mr Ratan Mani has been in the manufacturing of readymade for more than two decades which aids in establishing relationships with both customers and suppliers. The overall management of the firm is managed by Mr Ratan Mani.

Moderate profitability margins and capital structure

The profitability margins of the firm stood moderate as the profitability margins of the firm are directly associated with designing aspect of the order. The highly and complex design in nature normally fetch better margins. Furthermore, the capital structure improved and stood moderate on account of infusion of fund by the proprietor.

Integrated manufacturing facilities from sampling to finishing

PLC has three types of manufacturing units with facilities for knitting, washing, cutting, stitching, sewing, embroidery, ironing and packing. It has skilled labour force and strict quality controls. The dyeing, bleaching and printing of fabric are done internally in the new unit from March 2016, onwards. This will help in lowering the outsourcing cost for the firm leading to improvement in profitability in the future period.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

PLC was initially established on April 01, 2007, by Mr Ratan Mani along with his mother Mrs Urmila Devi as partners sharing profits and losses equally. Later on, Mrs Urmila Devi retired from the firm and Mrs Kamini Sadh (Mr Ratan Mani's wife) joined in as a new partner w.e.f. June 11, 2015. The firm is engaged in the business of manufacturing and export of readymade garments for ladies and kids. The products portfolio of the firm includes trousers, t-shirts, skirts, blouses, night wear for ladies and other kids wear items, etc. The firm mainly exports to Europe, US, Middle-east and Australia. PLC is associated with brands like ZARA, H & M, Urban Outfitters and others. The firm has two manufacturing units for the manufacturing of readymade garments located in Noida, Uttar Pradesh, with an aggregate installed capacity of 1,440,000 pieces per annum. The major raw material required are varieties of fabrics with other accessories like buttons and threads which are majorly procured domestically from cities like Surat, Ahmadabad, Mumbai and Delhi.

In FY15 (refers to the period of April 01 to March 31), the firm reported a total operating income of Rs.23.37 crore and a profit after tax of Rs.0.72 crore (as against a total operating income of Rs.21.97 crore and a profit after tax of Rs.0.40 crore in FY14). Furthermore, during FY16 (Provisional), PLC reported a total operating income of Rs.25.39 crore and a profit after tax of Rs.1.28 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Email: achin.nirwani@careratings.com****For detailed Rationale Report and subscription information, please contact us at www.careratings.com****About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	6.75	CARE BB; ISSUER NOT COOPERATING
Non-fund-based - ST-EPC/PCFC	-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING
Non-fund-based - ST-ILC/FLC	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING
Fund-based - LT-Term Loan	-	-	-	0.35	CARE BB; ISSUER NOT COOPERATING
Fund-based - LT-Term Loan	-	-	-	0.60	CARE BB; ISSUER NOT COOPERATING
Fund-based - LT-Term Loan	-	-	-	5.61	CARE BB; ISSUER NOT COOPERATING
Fund-based - LT-Term Loan	-	-	-	0.97	CARE BB; ISSUER NOT COOPERATING
Fund-based - ST-Foreign Demand Bills Payable	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING
Fund-based - ST-Working Capital Limits	-	-	-	0.45	CARE A4; ISSUER NOT COOPERATING

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	6.75	CARE BB; ISSUER NOT COOPERATING	1)CARE BB (29-Sep-16)	-	-	-
2.	Non-fund-based - ST-EPC/PCFC	ST	5.00	CARE A4; ISSUER NOT COOPERATING	1)CARE A4 (29-Sep-16)	-	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	3.00	CARE A4; ISSUER NOT COOPERATING	1)CARE A4 (29-Sep-16)	-	-	-
4.	Fund-based - LT-Term Loan	LT	0.35	CARE BB; ISSUER NOT COOPERATING	1)CARE BB (29-Sep-16)	-	-	-
5.	Fund-based - LT-Term Loan	LT	0.60	CARE BB; ISSUER NOT COOPERATING	1)CARE BB (29-Sep-16)	-	-	-
6.	Fund-based - LT-Term Loan	LT	5.61	CARE BB; ISSUER NOT COOPERATING	1)CARE BB (29-Sep-16)	-	-	-
7.	Fund-based - LT-Term Loan	LT	0.97	CARE BB; ISSUER NOT COOPERATING	1)CARE BB (29-Sep-16)	-	-	-
8.	Fund-based - ST-Foreign Demand Bills Payable	ST	2.00	CARE A4; ISSUER NOT COOPERATING	1)CARE A4 (29-Sep-16)	-	-	-
9.	Fund-based - ST-Working Capital Limits	ST	0.45	CARE A4; ISSUER NOT COOPERATING	1)CARE A4 (29-Sep-16)	-	-	-

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CIN - L67190MH1993PLC071691