Parmeshwari Silk Mills Limited

July 20, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Total Bank Facilities	**15.00 (Rs. Fifteen Crore Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated October 05, 2020 placed the ratings of Parmeshwari Silk Mills Limited (PSML) under the 'issuer non-cooperating' category as PSML had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by Parmeshwari Silk Mills Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained by modest scale of operations, declining financial risk profile, Susceptibility to raw material price fluctuations and High competition from organised/unorganised players. The rating, however, draws comfort from Experienced and resourceful promoters with established track record of the company and Favourable location of operations and established marketing network.

Detailed description of the key rating drivers

Please refer to PR dated October 05, 2020.

Key Rating Weaknesses

Modest scale of operations

The company's scale of operations remained modest at Rs.101.24 crore in FY21 as against Rs. 143.68 crore in FY21. However, the same has decreased by ~29% on account of lower intake from existing client.

Declining financial risk profile

The PBILDT margins declined from 13.27% in FY20 to 11.52% in FY21. The PAT margins also declined marginally in FY21 to 1.67% from 3.71% in FY19 on account of higher interest and depreciation expenses in FY20. In Q4FY21, the PBILDT margins declined significantly to 8.19% from 16.30% in Q4FY20 (A). The capital structure of the company deteriorated marginally as marked by overall gearing ratio of 1.37x as on March 31, 2021 (PY: 1.23x as on March 31, 2020). The debt coverage indicators declined and stood weak as marked by interest coverage ratio and total debt to GCA of 1.82x and 8.82x for FY21 as against 2.24x and 4.10x for FY20

Susceptibility to raw material price fluctuations

The raw materials cost has remained a major contributor to the total operating cost of PSML. The entities in the textile industry are susceptible to fluctuations in raw material prices. Cotton (one of the main raw material) being an agricultural product, its demand supply situation depends on various natural conditions like monsoons, drought and floods. Being a product of international importance, its price is very volatile depending on the demand-supply situation in the global markets. The prices of other raw materials, i.e. manmade yarn are linked to that of crude oil. The general volatility in the crude oil prices also has an impact on the price of this product.

High competition from organised/unorganised players

The company operates in a highly fragmented textile manufacturing industry wherein the presence of large number of entities in the unorganized sector and established players in the organized sector limits the bargaining power with customers. Further, the company is also exposed to competitive pressures from domestic players as well as from players situated in China and Bangladesh.

Key Rating Strengths
Experienced and resourceful promoters with established track record of the company
PSML has been engaged in selling of shirting fabric & ladies dress material and is being managed by Mr. Jatinder Pal Singh,and Ms. Kuljeet Kaur (wife of Mr. Jatinder Pal Singh) who have an experience of more than two and a half decades and two decades, respectively, in the textile industry through their association with PSML. The other directors of the company include Mr. Deshbir Singh and Mr. Simranjit Singh, who have an experience of more than a decade and half a decade, respectively, in the textile industry. To support various business requirements, the promoters of the company have infused unsecured loans (USL) to the tune of Rs.18.01 crore, till March 31, 2020. Unsecured loans amounting to Rs.16.30 Cr. remain subordinated to the bank loans.
Favorable location of operations and established marketing network:
The company is situated in Ludhiana which is a wellestablished manufacturing hub of textiles. PSML derives the comfort from its strategic location in terms of easy accessibility to a large customer base as well as ready availability of raw materials owing to established suppliers' presence in the same location as well. The company sells its products (shirting fabrics and ladies dress material) under the brand 'Ramtex' through its network of 67 dealers based in Uttar Pradesh, Delhi, Haryana and Punjab. Over the years, the company has expanded its dealer network leading to widening reach of the company in tier-2 and ter-3 cities.

Analytical Approach: Standalone
Applicable criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology - Manufacturing Companies

About the Company
Parmeshwari Silk Mills Limited (PSML), incorporated in 1993 and based in Ludhiana, Punjab, is promoted by Mr Jatinder Pal Singh and his family members. The company manufactures ladies suiting and men's shirting fabric under the brand name 'Ramtex' and sells through a network of 67 dealers present in tier 1 and tier 2 cities. The company has its manufacturing facility for weaving, embroidery and digital printing located at Ludhiana (Punjab) and has 57 rapier & sulzer weaving machines (installed capacity of 60 lakh meters per annum), 11 embroidery machines (installed capacity of 19.25 lakh meters per annum), 2 digital printing machines (installed capacity of 18.50 lakh meters per annum) and 1 flatbed screen printing machines (installed capacity of 53 lakh meters per annum), as on March 31, 2019. The company mainly requires fabrics, cotton & synthetic yarn, embroidery yarn, printing paper as raw materials which are procured through a network of suppliers based throughout India. Besides PSML, the directors are also engaged in other group concerns, namely M/s Ramtex Exports (established in 1993 and engaged in fabrication of ladies dress material).

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	143.68	101.24
PBILDT	19.08	11.67
PAT	5.34	1.70
Overall gearing (times)	1.23	1.37
Interest coverage (times)	2.24	1.82

A: Audited

Status of non-cooperation with previous CRA: CRISIL had put its ratings under "ISSUER NOT COOPERATING" category via Press Release dated February 27, 2021.

Any other information: Not Applicable

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

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	-	-	-	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (12-Jul-19)	1)CARE BB-; Stable (16-Aug-18)
2.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (12-Jul-19)	1)CARE BB-; Stable (16-Aug-18)
3.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (12-Jul-19)	1)CARE A4 (16-Aug-18)
4.	Fund-based - LT-Term Loan	LT	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (05-Oct-20)	1)CARE BB+; Stable (25-Sep-19)	-

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

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.*

Contact us

Media Contact
Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Name: Mr. Sajan Goyal
Contact no.: +91- 11-4533 3200
Email ID: sajan.goyal@careratings.com

Business Development Contact
Name: Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**