# Parmeshwari Silk Mills Limited (Revised)

December 02, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 73.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

## Rationale and key rating drivers

Parmeshwari Silk Mills Limited (PSML) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on PSML's bank facilities will now be denoted as **CARE BB+; Stable; 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).**

The rating continues to be constrained by the company's modest, albeit growing, scale of operations, an elongated operating cycle, and the susceptibility of margins to fluctuations in raw material prices and regulatory changes, along with its presence in a fragmented and cyclical textile industry. However, the rating draws strength from the experienced promoters, company's long track record of operations, locational advantages, and stable profitability margins leading to comfortable debt coverage indicators.

## Analytical approach: Consolidated

CARE Ratings has consolidated the financials of PSML and its subsidiary owing to significant business linkages and operating in a similar line of business. The details of subsidiary is provided in **Annexure 06.**

## Outlook: Stable

## Detailed description of key rating drivers:

At the time of last rating on September 14, 2023, the following were the rating strengths and weaknesses (updated for the information available from the company and stock exchange):

## Key weaknesses

### Modest albeit growing scale of operations

PSML's scale of operations continue to remain modest though growing as evident from total operating income (TOI) of Rs 203.28 crore and gross cash accruals (GCA) of Rs 9.53 crore respectively, during FY24 (refers to April 01 to March 31) as against Rs 172.77 crore and Rs 8.50 crore respectively, during FY23. The modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated as PSML's scale of operations has been on a growing trend registering a compound annual growth rate (CAGR) of around 10% for the last 5 years. The slight improvement in scale is primarily on account of higher demand from its existing customers for the printed and embroidered products. Further, the company has achieved total operating income of Rs 56.99 crore during Q1FY25 (refers to April 01 to June 30) and is expected to achieve a turnover of ~Rs.220.00 crore for FY25.

### Elongated operating cycle

The company's operating cycle remained elongated at 168 days for FY24, slightly improving from 171 days in FY23. The company produces various types of fabrics (different colours, embroidery designs, etc.), necessitating a high volume of raw materials. Additionally, the company has to maintain adequate inventory at each processing stage—such as weaving, dyeing, printing, embroidery, finishing, and packaging—to ensure smooth production. This resulted in an average inventory holding period of 120 days for FY24. The company offers a liberal credit period of around 3-4 months to its customers, leading to an average collection period of 99 days for FY24. The company's working capital borrowings remained high at almost 90% over the past 12 months ending August 2024.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

**Susceptibility to fluctuations in raw material prices and regulatory changes**

PSML's profitability is vulnerable to fluctuations in the prices of raw cotton, the primary raw material for producing cotton yarn. Raw cotton prices are inherently volatile, influenced by factors such as production area, yield, monsoon variability, international demand and supply dynamics, carryover of inventory from the previous year, export quotas, and the minimum support price (MSP) set by the government. Over the past few years, raw cotton prices have been highly volatile, posing a risk of inventory losses for industry players. Additionally, the textile industry faces regulatory risks, including changes in domestic and international government policies related to subsidies or import/export tariffs, which impact industry players across the value chain.

**Presence in fragmented and cyclical textile industry**

The Indian textile industry is highly fragmented, with numerous medium and small-scale unorganized players, leading to intense competition. Additionally, the industry is cyclical, closely following macroeconomic business cycles. The prices of raw materials and finished goods are influenced by global demand and supply dynamics. Consequently, any shift in the global macroeconomic environment impacts the domestic textile industry. Furthermore, there is significant competition from countries like Bangladesh, Vietnam, and Pakistan in cotton exports. In recent years, Indian cotton yarn exports to the European Union (EU) and China have declined, as Vietnam, benefiting from duty-free access to the Chinese market, has captured a larger market share. Therefore, both domestic and export demand for yarn and textiles are crucial for yarn manufacturers.

## Key strengths

**Experienced promoters coupled with long track record of operations**

PSML is led by their current chairman - Mr. Jatinder Pal Singh who holds a graduate degree and has nearly three decades of experience in the textile industry through his association with this entity, overseeing the company's overall operations. He is effectively supported by Ms. Harinder Kaur in managing the day-to-day operations. Additionally, the directors are assisted by a team of qualified managerial personnel and technical experts with relevant experience in their respective fields. The company's extensive track record in the industry has fostered long-term relationships with both suppliers and customers.

**Favourable location of operations and established marketing network**

The company's manufacturing facilities are located in Ludhiana, a well-established textile manufacturing hub. PSML benefits from this strategic location, which provides easy access to a large customer base and ensures the ready availability of raw materials due to the presence of established suppliers in the area. The company markets its entire product range under the brand name "Ramtex" through a network of over 25 distributors and dealers based in Punjab, Haryana, Delhi, Rajasthan, and West Bengal. The products are well-received in Punjab and Haryana, and the company is also exploring markets in Delhi.

**Stable Profitability Margins**

The company's profitability margins have remained moderate over the past three financial years, as profitability is closely linked to the complexity of the embroidery designs in orders—the more intricate the design, the higher the margins. However, the Profit Before Interest, Lease rentals, Depreciation, and Tax (PBILDT) margin declined to 9.43% in FY24 from 9.60% in FY23 owing to high competition in the market, wherein the company has to trade off its margins in order to scale up its operations. Similarly, the Profit After Tax (PAT) margin slightly decreased to 2.93% in FY24 from 3.20% in FY23. In Q1FY25, both PBILDT and PAT margins improved to 10.22% and 3.14%, respectively. Going forward, PBILDT margins are expected to remain within the same range in the coming year.

**Moderate capital structure and debt coverage indicators**

The capital structure of the company stood moderate as marked by overall gearing of 1.55x as on March 31, 2024 on account of increasing debt level as the scale grows leading to higher utilisation of working capital limits and a low net worth base. Further, the capital structure is expected to remain moderate in the near to medium term. Additionally, on account of stable profitability margins with growth in scale of operations, the debt coverage indicators of the company continue to remain moderate yet comfortable as marked by the interest coverage ratio and total debt to Gross Cash Accruals which stood at 2.42x and 10.11x respectively, for FY24 as against 2.54x and 8.68x respectively for FY23. During Q1FY25, the interest coverage ratio stood at 2.50x and is expected to remain at similar levels over the medium term.

## Applicable criteria

Consolidation
Definition of Default

[Policy in respect of non-cooperation by issuers](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Cotton Textile](#)

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Consumer Discretionary | Textiles | Textiles & Apparels | Garments & Apparels |

Ludhiana, Punjab-based Parmeshwari Silk Mills Limited (PSML) was incorporated as a public limited company in January 1993. The company is currently managed by Mr. Jatinder Pal Singh and his family. PSML specializes in manufacturing unstitched suit fabrics and plain fabrics for women under its own brand name, "Ramtex." The company operates its own manufacturing facility for weaving, embroidery, and digital printing in Ludhiana, Punjab. PSML distributes its products through a network of distributors and dealers based in Punjab, Haryana, Delhi, Rajasthan, and West Bengal, serving over 200 retailers across India.

**Consolidated Financials:**

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | Q1FY25 (UA) |
|---|---|---|---|
| Total operating income | 172.77 | 203.28 | 56.99 |
| PBILDT | 16.59 | 19.17 | 5.82 |
| PAT | 5.52 | 5.96 | 1.79 |
| Overall gearing (times) | 1.31 | 1.55 | - |
| Interest coverage (times) | 2.54 | 2.42 | 2.51 |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 22.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |

| | | | | | | |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 28.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Proposed fund based limits | | - | - | - | 0.71 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | December, 2030 | 13.16 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | June, 2029 | 9.13 | CARE BB+; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term Loan | LT | - | - | - | - | - | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (15-Dec-21)<br><br>2)Withdrawn (15-Dec-21)<br><br>3)CARE BB; Stable; ISSUER NOT COOPERATING* (20-Jul-21) |
| 2 | Fund-based - LT-Cash Credit | LT | 22.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (14-Sep-23) | 1)CARE BB+; Stable (01-Jul-22) | - |
| 3 | Fund-based - LT-Proposed fund based limits | LT | 0.71 | CARE BB+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (14-Sep-23) | 1)CARE BB+; Stable (01-Jul-22) | - |
| 4 | Fund-based - LT-Cash Credit | LT | 28.00 | CARE BB+; Stable; ISSUER | - | 1)CARE BB+; | 1)CARE BB+; | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | NOT COOPERATING * | | Stable (14-Sep-23) | Stable (01-Jul-22) | |
| 5 | Fund-based - LT-Term Loan | LT | 13.16 | CARE BB+; Stable; ISSUER NOT COOPERATING * | - | 1)CARE BB+; Stable (14-Sep-23) | 1)CARE BB+; Stable (01-Jul-22) | - |
| 6 | Fund-based - LT-Term Loan | LT | 9.13 | CARE BB+; Stable; ISSUER NOT COOPERATING * | - | 1)CARE BB+; Stable (14-Sep-23) | 1)CARE BB+; Stable (01-Jul-22) | - |

*Issuer did not cooperate; based on best available information.
LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Proposed fund-based limits | Simple |
| 3 | Fund-based - LT-Term Loan | Simple |

**Annexure-5: Lender details**

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| To view the lender wise details of bank facilities please click here |

**Annexure-6: List of entities consolidated**

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Harappa Textile Mills Private Limited | Full | Subsidiary |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

**Contact us**


| Media Contact | Analytical Contacts |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in | Puneet Kansal<br>Director<br>**CARE Ratings Limited**<br>Phone: 120-4452018<br>E-mail: puneet.kansal@careedge.in |
| **Relationship Contact**<br><br>Ankur Sachdeva<br>Senior Director | Sachin Mathur<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 91-120-4452054 |

| | |
|---|---|
| **CARE Ratings Limited**<br>Phone: 912267543444<br>E-mail: Ankur.sachdeva@careedge.in | E-mail: sachin.mathur@careedge.in<br><br>Rohit Bhatia<br>Analyst<br>**CARE Ratings Limited**<br>E-mail: Rohit.Bhatia@careedge.in |

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.