Parmeshwari Silk Mills Limited

February 13, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	36.04	**CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook:Stable; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) on the basis of best available information
Total	**36.04 (Rupees Thirty Six crore and Four lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Parmeshwari Silk Mills Limited (PMSL) to monitor the rating vide e-mail communications dated January 11, 2018; January 09, 2018; January 08, 2018; January 05, 2018; and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Parmeshwari Silk Mills Limited's bank facilities will now be denoted as **CARE B; 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.

The revision in the rating takes into account company's year-on-year deterioration in the PBILDT margins and overall solvency position. The rating is further constrained by the company's working capital intensive nature of operations, susceptibility of profitability margins to fluctuation in raw material prices and competitive nature of the industry. The rating, however, derives strength from the long track record of operations with established marketing network, increasing scale of operations, experienced promoters and favourable location of operations.

Detailed description of the key rating drivers

At the time of last rating on February 09, 2017 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Deterioration in PBILDT margins and overall solvency position: The overall gearing of the company deteriorated in FY17 owing to availment of additional loans. The total debt to GCA ratio also deteriorated to 16.21x, as on March 31, 2017 (PY: 12.33x). During the year (FY17), the PBILDT margins of the company declined to 8.25% (PY: 9.67%).

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature as reflected by the average operating cycle of 153 days, as on March 31, 2017.

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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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

Competitive nature of the industry: 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.

Key Rating Strengths

Experienced 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 (Chairman/Managing Director) and Ms. Kuljeet Kaur who have an experience of almost 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.

Increasing scale of operations: The income of the company increased by 12.70% to Rs.93.73 crore in FY17. Furthermore, during H1FY18(Prov.), the operating income of the company increased by 24.99% to Rs.47.27 cr. as compared to same period last year.

Favorable location of operations: Ludhiana is a well-established hub of manufacturing of textiles. The company benefits from the location advantage in terms of easy accessibility to large customer base located in Ludhiana. Furthermore, various raw materials required in manufacturing of textiles are readily available owing to established supplier base in the same location as well.

Established marketing network: The company is engaged in the selling of shirting fabrics and ladies dress material under the brand name of 'Ramtex' through its network of 38 dealers located in Chandigarh, Delhi, Haryana and Punjab, which covers more than 200 retailer across north region of India. The brand is well accepted in Delhi, Haryana, Punjab, and Himachal Pradesh.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's policy on default recognition

About the Company

Based in Ludhiana (Punjab), Parmeshwari Silk Mills Limited (PSML) was incorporated in the year 1993. The company is a family owned business promoted by Mr. Jatinder Pal Singh and is engaged in the manufacturing and selling of shirting fabric and ladies dress material under the brand name 'Ramtex'. The company has its manufacturing facility for weaving, embroidery and digital printing located at Ludhiana (Punjab) with an installed capacity of has 81 looms, 40 embroidery machines and 5 digital printing machines, as on March 31, 2016. PSML sells the products manufactured through its network of 38 dealers located in Chandigarh, Delhi, Haryana and Punjab.

Status of non-cooperation with previous CRA: CRISIL B; Stable (Issuer Not Co-operating); vide PR dated April 27, 2017; revised from CRISIL B+; Stable, on account of lack of cooperation from the company.

Any other information: Not Applicable

Rating History for 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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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.

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-Cash Credit	-	-	-	24.75	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	March-2022	11.29	CARE B; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	24.75	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Feb-17)	-	-
2.	Fund-based - LT-Term Loan	LT	11.29	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Feb-17)	-	-

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

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