Parmeshwari Silk Mills Limited

October 05, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	15.00	**CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Based on best available information rating put under INC**
Total	**15.00 (Rs. Fifteen crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Parmeshwari Silk Mills Limited (PSML) to monitor the rating vide e-mail communications/letters dated August 06, 2020, September 10, 2020, September 11, 2020 and September 12, 2020, September 16, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The 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.

The rating takes into account the modest scale of operations, susceptibility to raw material price fluctuations and high competition from organized/unorganized players. The rating, however, derives strength from the experienced promoters, favorable location of operations, comfortable profitability margins with satisfactory solvency position.

Detailed description of the key rating drivers

At the time of last rating on September 25, 2019, the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key Rating Weaknesses

Modest scale of operations: The company's scale of operations remained modest at Rs.143.47 Cr., in FY20. However, the same increased by ~4%. In Q1FY21 (UA), the company has achieved a total operating income of Rs.13.84 crore which declined by ~62% on a year on year basis.

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

[2]*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* 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 well-established 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.

Improving profitability margins and satisfactory solvency position: The PBILDT margins improved from 12.04% in FY19 to 13.37% in FY20. The PAT margins however, declined marginally in FY20 to 3.73% from 3.91% in FY19 on account of higher interest and depreciation expenses in FY20. In Q1FY21 (UA), the PBILDT margins improved significantly to 17.63% from 12.12% in Q1FY20 (UA) however, the PAT margins remained almost at the same level in Q1FY21 (UA) at 4.26%. The capital structure of the company remained at a satisfactory level with the long term debt to equity ratio and overall gearing ratios at 0.47x and 1.47x respectively, as on March 31, 2020 (PY: 0.43x and 1.25x respectively, as on March 31, 2019). The same deteriorated on account of new term loans availed in FY20 and higher working capital borrowings outstanding at the end of the year. The interest coverage ratio remained comfortable in FY20 while the total debt to GCA ratio stood satisfactory at 7.76x as on March 31, 2020 (PY: 7.76x). The company had availed moratorium for the debt obligations due from March, 2020 to May, 2020.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
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 for cotton textile manufacturing
Rating Methodology for Manmade Yarn Manufacturing Sector

About the Company
Parmeshwari Silk Mills Limited (PSML), based in Ludhiana (Punjab), was incorporated in the year 1993. PSML is a family owned business promoted by Mr. Jatinder Pal Singh. The company is engaged in 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) and has 70 rapier & sulzer weaving machines (weaving capacity of 75 lakh meters per annum), 17 embroidery machines, 3 digital printing machines and 1 flatbed screen printing machines, as on March 31, 2019. PSML sells shirting fabric and ladies dress material through its network of 67 dealers located in Chandigarh, Delhi, Haryana and Punjab.

Brief Financials (Rs. crore)	**FY19 (A)**	**FY20 (A)**
Total operating income	138.03	143.47
PBILDT	16.62	19.10
PAT	5.40	5.35
Overall gearing (times)	1.25	1.47
Interest coverage (times)	2.55	2.24

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for 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	-	-	June-2027	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (12-Jul-19)	1)CARE BB-; Stable (16-Aug-18)	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Feb-18)
2.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (12-Jul-19)	1)CARE BB-; Stable (16-Aug-18)	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Feb-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 (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 company

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.*

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About CARE Ratings:
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