

Shri Gautamchand Surana

Director

Premier Synthetics Limited

Surana House, Behind Klassic Chambers, Swastik Road,
Opposite Narayanan Complex, Navrangpura, Ahmedabad,
Gujarat- 380009

February 07, 2022

Confidential

Dear Sir,

Credit rating for Non-Convertible Redeemable Preference Shares

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and H1FY22 (Un-audited), and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
1	Non-Convertible Redeemable Preference Share	9.50	CARE B (RPS); Stable [Single B (Redeemable Preference Shares); Outlook: Stable]	Reaffirmed
	Total Instrument	9.50 (Rs. Nine Crore and Fifty Lakhs Only)		

2. Refer **Annexure I** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure II**. We request you to peruse the annexed document

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

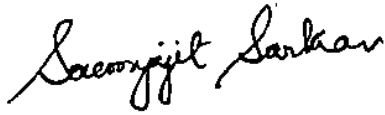
and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 08, 2022 we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to to buy, sell, or hold any securities..

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Encl.: As above

Disclaimer

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Annexure I

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
Preference Shares-Non Convertible Redeemable Preference Share	October 12, 2015	0.01%	October 12, 2035	9.50	CARE B (RPS); Stable

Annexure II
Press Release
Premier Synthetics Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Redeemable Preference Share	9.50	CARE B (RPS); Stable [Single B (Redeemable Preference Shares); Outlook: Stable]	Reaffirmed
Total Long Term Instruments	9.50 (Rs. Nine Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1,

Detailed Rationale & Key Rating Drivers

The rating assigned to the instrument of Premier Synthetics Limited (PSL) continues to be constrained by modest scale of operations with fluctuating profitability margins, low cash accruals, low net worth and working capital-intensive nature of operations. The rating is further constrained by the concentration of revenue to few customers, susceptibility of profitability margins to volatile raw material prices and presence in a highly fragmented and competitive textile industry. The rating also considers financial support provided by the promoters in the form of interest free loan..

Rating Sensitivities

Positive Factors

- Increase in scale of operations with revenue increasing to above Rs. 100 crore along with improvement in PBILDT margin to above 5% on sustainable basis

Negative Factors

- Decline in revenue by more than 30% on a sustained level and decline in PBILDT margin to below 2%
- Any debt funded capex

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations coupled with revenue concentration risk

Premier Synthetics Limited (PSL) operates at a small scale. In FY21 the total operating income declined to Rs.24.51crore due to the shutdown of plant from April 2020 to June 2020. It was partially operational from July 2020 onwards up to October 2020. In 10MFY22 the company reported improvement in sales to Rs.48crore, thereby surpassing the sales reported in past 5 years. H1FY22 was a very productive period for Cotton Yarn manufacturers in view of reasonable level of prices of raw materials and increased demand in the yarn market which resulted in high realization.

Client concentration risk remains significantly high with one of the customers accounting for 40.56% of total sales in 9MFY22. Further, top 5 customers accounted for 84.07% of total sales in 9MFY22.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Low profitability susceptible to volatility in input cost

The profitability margins continue to remain low due to higher cost of production led by higher rate of electricity and higher cost of manpower. The company caters to the denim manufacturers and has limited pricing power. The PBLDT margins improved in FY21 and H1FY22 to ~9% compared to ~2% in FY20 led by increase in demand of cotton fabrics in the local as well as in the international market. The prices of raw materials during this period remained low and this has resulted in lower cost of production during this period.

Presence in a highly fragmented and competitive textile industry

PSL operates in a cyclical, fragmented and commoditized industry which is characterized by intense competition due to a large number of players in the organized and unorganized sector.

Working capital intensive nature of operations

The operations of PSL are working capital intensive as the company has to pay most of its suppliers upfront upon purchase and several customers enjoy a larger credit period of 60-80 days. In FY21, collection period was stretched to 120 days due to extended credit period offered to customers owing to covid-19 situation.

Key Rating Strengths**Experiences promoter and regular financial support provided over the years**

Earlier PSL was headed by Mr Anand Arya, who has 35 years of experience in the textile industry. Pursuant to completion of the open offer, new promoters have taken over PSL w.e.f October 2015. The new promoters are also vastly experienced but have limited experience in textile industry. However, the promoters have always supported the operations of the company by infusion of funds as preference share and interest free unsecured loan.

Liquidity analysis: Stretched

The operations of the company are working capital intensive with an operating cycle of 167 days, average receivable period of 120 days, average inventory period of 64 days and average creditor period of 17 days. The company has not availed any working capital limits and its free cash balance is merely Rs.54 lakhs.

Analytical approach: Standalone with support from the promoters

Applicable Criteria

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

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

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

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Rating Methodology- Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Complexity Levels of Rated Instruments](#)

About the Company

Premier Synthetics Limited is engaged in yarn manufacturing which is mainly used by textile denim manufacturers. Till FY17, PSL used to manufacture yarn on a job work basis, for its group concern - Blue Blends (India) Limited (BBIL). From FY18, the company has started supplying to independent players. The company operates a spinning unit located in Ahmedabad, with an installed capacity of 55 lakh metric tonnes/annum.

During FY16, PSL successfully completed an open offer pursuant to which the original promoter, Mr. Anand Arya ceased control of the company. The new promoters of the Company by virtue of completion of the Open Offer are Mr.

Gautamchand Kewalchand Surana, Mr. Vikram Amritlal Sanghvi, Mr. Rajiv Giriraj Bansal and Mr. Sanjay Kumar Vinodbhai Majethia.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22(UA)
Total operating income	42.97	24.51	25.15
PBILDT	0.82	2.25	2.05
PAT	0.11	1.58	1.18
Overall gearing (times)	0.56	0.54	NA
Interest coverage (times)	7.26	127.96	4.27

A: audited; UA: Un-audited; NA: not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Preference Shares-Non Convertible Redeemable Preference Share	INE940N04016	October 12, 2015	0.01%	October 12, 2035	9.50	CARE B (RPS); Stable

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	Preference Shares-Non Convertible Redeemable Preference Share	LT	9.50	CARE B (RPS); Stable	-	1)CARE B (RPS); Stable (26-Feb-21)	1)CARE B (RPS); Stable (04-Mar-20)	1)CARE B (RPS); Stable (08-Mar-19)

Annexure-3: Detailed explanation of covenants of the rated instruments : Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Preference Shares-Non Convertible Redeemable Preference Share	Simple

Annexure 5: Bank Lender Details

To view the lender wise details of bank facilities please [click here](#)

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@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

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****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**