Press Release

Phoenix International Limited

October 29, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- LRD	124.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
	Total	**124.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of **Phoenix International Limited** derives comfort from its experienced promoters, established brand recognition, refinancing of existing loan using LRD with extended tenure and escrow mechanism. However, the rating strengths are partially offset by the timely renewal of lease agreement with adequate rental escalation, modest scale of operations, Vulnerability of timely debt servicing to delays in rentals receipt.

Key Rating Sensitivities:

Upward Factor:

- Improvement in rental income in case of new tenants

Downward factor:

- Heavy reliance on TATA teleservices for rental income
- Delay in repayment by the tenants due to low occupancy during the lockdown period

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters:

The company benefits from the promoters' experience of over 15 years in the commercial real, shoe manufacturing business and estate industry. The company has been manufacturing shoes uppers since 2006.

Continued Rental Escalations:

The lease agreements signed with the tenants show that there are continuous escalations in rental income which varies both in rate and time of escalation from tenant to tenant.

Key Rating Weaknesses

Exposure to risks related to timely renewal of lease contracts:

Phoenix International Limited's lease agreements are long term (typically 5-6 years) with a lock-in period of 1-3 years. There is a possibility that the tenants might leave the premises.

High customer concentration:

The commercial space has been leased out to five entities, out of which Tata Tele Services Ltd (TTSL) is the major occupant, contributing around 44% of the rental income. The loss of even a single customer, especially TSSL, will exert pressure on revenue. This might lead to non-payment of the loan. The marginal dip in contribution was on account of the additional area let out to another tenant.

Modest scale of operations:

The company's operations in the footwear segment have remained stagnant over the years. The revenues have been constantly fluctuating in the range of Rs. 20–Rs. 25 crores. The company lowered its production in the footwear segment owing to the uncertainty in the applicable rate in footwear export under Goods and Services Tax (GST) regime. However, post that, there has not been any considerable improvement in the overall footwear-related income.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector

<u>Liquidity </u>– Adequate

The term loan facility is structured in the form of a Lease Rental Discounting (LRD) facility. The terms of the LRD facility ensure that the lease rent income be routed directly to an Escrow Account and applied towards payment of scheduled interest and principal repayments of the LRD facility. Overall liquidity position seems to be Adequate. The company has enough surplus after the repayment has been done.

About the Company

PIL was set up in 1995 and is managed by Mr. Ajay Kalsi and Mr. D. N. Kalsi. The company was earlier engaged in shoe manufacturing in Noida (Uttar Pradesh) The production was discontinued in 2000 and from fiscals 2000 to 2005, the company was largely involved in trading of shoe uppers in the export markets. In fiscal 2006, PIL restarted manufacturing of leather shoe uppers from a leased premise in Chennai (Tamil Nadu). Further in fiscal 2007, the company's erstwhile manufacturing facility in Noida was refurbished as a commercial office space and leased out to five tenants.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	42.51	42.98
EBITDA	14.32	14.46
PAT	3.25	3.23
Total Debt	85.92	80.90
Tangible Net worth	330.24	333.51
EBITDA Margin (%)	33.69	33.63
PAT Margin (%)	7.15	6.98
Overall Gearing Ratio (x)	0.26	0.24

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan- LRD	Long Term	124.00	IVR BBB-/ Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: sjetly@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – LRD	-	-	-	124.00	IVR BBB-/ Stable