



# Infomerics Valuation And Rating Pvt. Ltd.

## Press Release

### Prominence Window Systems

March 05, 2020

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
Long Term Bank Facilities - Fund Based	21.57	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Short Term Bank Facilities - Non-fund based	12.00	IVR A4 (IVR A Four)
<b>Total</b>	<b>33.57</b>	

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of Prominence Window Systems (PWS) derives comfort from its experienced partners with strong technical capabilities, improved financial performance in FY19 and favorable demand scenario of uPVC profiles and windows. The ratings also positively factors in improvement in its performance in 9MFY20 following improvement in FY19. However, the rating strengths are partially offset by short track record and small scale of operations, sensitivity of profits to raw material price fluctuation and intense competition, moderate capital structure and partnership nature of concern.

#### Key Rating Sensitivities:

##### Upward Factor:

- Sharp increase in scale of operation with improvement in profitability on a sustained basis and consequent improvement in debt protection metrics and liquidity
- Improvement in the capital structure
- Decline in operating cycle

##### Downward factor:

- Moderation in total income or profitability affecting the liquidity and debt protection metrics.
- Withdrawal of subordinated unsecured loans or moderation in the capital structure



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### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced partners with strong technical capabilities**

Mr Thangavelu, who is the partner in the PWS is also one of the founder director of Agni Steels Pvt Ltd (rated: ICRA BBB+/A2; Stable) which manufactures TMT bars, sponge iron and billets. Another partner of PWS, Mr Ilangovan Thangavelu is a director in Zigma Global Environ Solutions P Ltd (rated: CARE BBB-; Stable) which is engaged in bio mining of municipal wastes and is a market leader in India. PWS gets benefits from its strong technical capabilities of partners which have been present in the uPVC or similar industry for more than a decade. The rich experience of the partners has helped the firm in building strong relationships with its suppliers and customers.

##### **Improved financial performance in FY19**

The firm has incurred net as well as cash loss in FY17 and FY18 as the company is into its 1st full year of operations in FY19 and has been establishing its business since 2017 by expanding their fabricators network. However, in FY19 it has achieved a steady improvement in its profitability and earned net as well as cash profit with a healthy y-o-y growth of ~60% in its total operating income. The growth was mainly driven by increased utilisation level in FY19 as against FY18 and company has projected to achieve 80% of utilization level in FY20 to support the projected top line. The debt protection metrics comprised interest coverage ratio and Total debt to GCA has also improved in FY19.

##### **Favourable demand scenario of uPVC profiles and windows:**

Over the next 10-15 years, the share of uPVC is expected to grow over 30% in both new and replacement sales, majorly fueled by the large, high rise apartment projects in urban cities. While uPVC windows and door systems are already established in the rest of the world, they are still gaining a foothold in the Indian market and are a new product in India, awareness on uPVC windows/doors and its energy conservation has increased its acceptance in the real estate sector.



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### **Key Rating Weaknesses**

#### **Short track record of operation**

The firm commenced its operations from 2018 and thereby having a short track record of operations.

#### **Small scale of operation**

Though, the firm is in existence for about a decade, its scale of operations continued to remain small with total operating income in the range of Rs.10 crore - Rs.45 crore during last three years (FY17-FY19). Total capital employed was also low at ~Rs.31 crore as on March 31, 2019. During 9MFY20 the firm has achieved a total operating income of Rs.47.95 crore and has orders in hand of INR 13.08 Cr, which is to be executed in Q4 FY 20. Relatively smaller scale of operation restricts the financial flexibility of PWS and hinders the benefits of economies of scale.

#### **Sensitivity of profits to raw material price fluctuation and intense competition**

PWS faces stiff competition from both new and existing foreign and domestic players in the uPVC profile and windows and doors segment. Further, the firm's profits are vulnerable to any increase in the raw material costs as witnessed in past given its limited ability to pass on the same to its customers, considering its low bargaining power in a competitive operating spectrum.

#### **Moderate capital structure**

Leverage ratios remained moderate and improved over the past three financial years, particularly in FY19 wherein the same recorded a significant improvement driven by infusion of subordinated unsecured loans by the partners, healthy accretion of profit and repayment of term loans. To arrive at the net worth, Infomerics has considered Rs.6.22 crore of unsecured loans (outstanding as on March 31,2019) from partners as quasi-capital as the same is subordinated to the bank facilities. Debt equity stood comfortable at 0.52 times as on March 31, 2019 as compared to 1.52 times as on March 31, 2018. The overall gearing ratio stood moderate at 1.77x as on March 31, 2019 mainly due to its high reliance on bank borrowings. However, total indebtedness of the firm as reflected by TOL/ANW remained comfortable at 2.68x as on March



## **Infomerics Valuation And Rating Pvt. Ltd.**

31, 2019 (4.53x as on March 31, 2018). Going forward, Infomerics believes the financial risk profile will continue to remain moderate due to its working capital intensive nature of operation with high dependence on working capital borrowings.

### **Partnership nature of constitution**

Being a partnership concern, PWS remains exposed to the risks of capital withdrawal by partners and any significant withdrawal could impact its net worth and capital structure. However, the company is contemplating to change the constitution of the firm as private limited company by March 2020.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

The liquidity position of the firm is adequate marked by its moderate current ratio at 1.05x as on March 31, 2019 and high utilisation of bank borrowings at ~97% for the last twelve months ended January, 2020, thus reflecting the firm's high dependence on bank borrowings. The operating cycle of the firm remained elongated at ~78 days owing to its high receivables and moderate inventory holding requirements.

### **About the Company**

Prominence window systems (*PWS, Formerly known as Captiv fenestration*) were established as a partnership firm by Mr. Thangavelu along with his relatives. The firm is engaged in manufacturing of window systems at its 5400 metric ton per annum facility in Coimbatore, Tamil Nadu. ). The firm has become one of the largest window manufacturers in South India by 2011. PWS sells energy efficient uPVC Windows & uPVC Doors used by real estate firms globally. It has wide range of uPVC Window & Door available with coloured texture options



## Infomerics Valuation And Rating Pvt. Ltd.

including wood finish. PWS has established their Presence in 26 states in India and started exporting to 7 countries including (Nepal, Sri Lanka, Australia, SA etc.) from FY 19 onwards.

*Note: The name was changed on 26 Feb. 2018 and requisite document (Name change Certificate) has been received by the company.*

### Financials:

(Rs. crore)

For the year ended*/As on	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	28.22	45.19
EBITDA	-0.03	6.26
PAT	-1.66	3.72
Tangible Net worth	3.14	4.72
Adjusted Tangible Net worth	5.16	10.94 <sup>^</sup>
EBITDA Margin (%)	-0.10	13.84
PAT Margin (%)	-5.71	8.16
Overall Gearing Ratio (x)	2.82	1.77

\*As per Infomerics Standards

<sup>^</sup>Un-secured loan amounting to Rs.6.22 Cr has been treated as quasi-equity for the calculations mentioned above as the same are subordinated to bank facilities

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	
1.	Cash Credit	Long Term	14.00	IVR BB+/Stable	-	-	-	
2.	WCTL	Long Term	2.33	IVR BB+/Stable	-	-	-	
3.	Term Loan	Long Term	5.24	IVR BB+/Stable	-	-	-	



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17			
4.	LC	Short Term	12.00*	IVR A4						

\* (BG INR 3.00 Cr Sub-limit to LC)

**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](http://www.infomerics.com).

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### 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.

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**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/Outlook</b>
Long Term Bank Facilities - CC	-	-	Revolving	14.00	IVR BB+/Stable
Long Term Bank Facilities – WCTL	-	-	Sep. 2024	2.33	IVR BB+/Stable
Short Term Bank Facilities – Term Loan	-	-	Sep. 2024	5.24	IVR BB+/Stable
Short Term Bank Facilities – LC	-	-	Less than a year	12.00*	IVR A4

\* (BG INR 3.00 Cr Sub-limit to LC)