



Press Release

Patodia Exports

March 24, 2025

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|------------------------------|---------------------------|---|-------------------------|----------------------|-------------------------------|
| Long Term Bank Facilities | 1.00 | IVR BB+/ Stable (IVR Double B Plus with Stable Outlook) | - | Rating Assigned | <u>Simple</u> |
| Short Term Bank Facilities | 38.50 | IVR A4+ (IVR A Four Plus) | - | Rating Assigned | <u>Simple</u> |
| Total | 39.50 | (Rupees Thirty-Nine crores and Fifty lakhs Only) | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are in Annexure 2. Detailed explanation of covenants is in Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Patodia Exports derive strength from the extensive experience of its partners, and long and successful track record of operations of the company. The ratings also consider strategic location of the company (Bhadohi, UP) and comfortable debt protection metrics. However, these rating strengths are constrained by volatility in high working capital intensity of its operations, exposure to foreign exchange risk and highly competitive nature of the handwoven carpet industry.

The Stable Outlook reflects Infomerics expectations of steady revenue growth, along with stable profitability over FY25-FY27.

Key Rating Sensitivities

Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability.

Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the partners:

Patodia Exports has established an operational track record of more than three decades in handmade carpets industry. Mr. Ravi Patodia (Partner) is an entrepreneur having five decades of experience in the same sector. The extensive experience of the partners and successful track record of operation has helped the firm in acquiring customers. The partners are well supported by a team of experienced and qualified professionals.

Long track record of operations and reputed client base with low counter party risk:

The firm has been in operations since 1881, under the current partners. It has successfully executed various customised orders such as world's largest handwoven carpet installed in a mosque in Kazakhstan as well as various orders for fine hand knotted carpets. The firm's strong reputation in domestic and internal markets is reflected in its wide clientele which includes large, well reputed entities such as The Oberoi, JW Marriot, The Indian Hotels, The Leela Palace, Louis Vuitton, Burj Al Arab, etc.

Location advantage:

Bhadohi, Uttar Pradesh is well established manufacturing hub for carpet handloom industry. A majority of India's roughly 2,500 carpet exporters are registered in this district. The firm benefits from the location advantage in terms of easy accessibility to carpet weavers. Additionally, various raw materials required in manufacturing of carpets are readily available in Bhadohi, owing to established supplier base in the same location.

Comfortable debt protection metrics:

Due to the fact that the firm's long-term debt (Rs.21.60cr as on March 31, 2024) comprises almost entirely of loans from partners (Rs.21.06cr) which entail moderate rate of interest of ~8% and do not entail fixed repayment, Patodia Exports has comfortable debt protection metrics in FY24. The interest coverage stood comfortable at 5.34x in the year, while DSCR stood at 3.98x as on March 31, 2024.



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Key Rating Weaknesses-

Competitive nature of industry:

The firm operates in a highly competitive industry with numerous players in both the organized and unorganized sectors. The industry is marked by low entry barriers, driven by minimal technological requirements, the availability of standardized production machinery, and an abundant supply of inexpensive labour. As a result, there is intense competition among the various players.

Exposure to foreign exchange fluctuation:

The unhedged foreign currency exposure outstanding as of September 30, 2024, stood at Rs. 24.89 crores. If there is a 10% fluctuation in the forex rate the GCA will be impacted by Rs 2.49 crores. However, Infomerics notes that Patodia Exports' GCA is significant (Rs.8.29cr in FY24) which is expected to be adequate to absorb this level of foreign current loss.

High operating cycle:

The firm's operations are working capital intensive in nature as reflected by its operating cycle days of around 135 days as on March 31, 2024. The average collection period remained high at 45 days in as on March 31, 2024, however improved from 49 days as on March 31, 2023. The average creditor period stood to 41 days as on March 31, 2024, which is similar to that on March 31, 2023. The key reason for large working capital requirement is the need to purchase raw materials such as cotton, jute, hemp etc in bulk to ensure consistency in quality of carpets supplied. Additionally, as the firm deals only in hand woven carpets, the WIP inventory is also large as it can takes up to 6 months to weave one carpet depending upon the size. The firm also has to hold additional inventory because of the variety of rugs/carpets supplied and different categories of the same. Due to these reasons inventory days remains high and stood at 130 days as on end FY24.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post Default curing period](#)



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Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The liquidity profile of Patodia Exports appears to be adequate with the current ratio of 1.27x and quick ratio of 0.50x as on March 31, 2024. The firm is earning a comfortable level of Gross Cash Accruals (GCA) which stood at Rs. 8.29 crore for FY24 and the same is expected to improve during the projected period with increase in scale of operations. The GCA is expected to be in the range of ~Rs. 13.00 crores to Rs. 16.00 crores annually during the projected period which is adequate.

About the Company

Patodia Exports is one of the leading handmade carpet manufacturers from India. Carrying forward the legacy of making handmade carpets since 1881, the firm has a vertically integrated manufacturing setup with most of the processes happening in-house. This includes the dyeing plant (which is housed in Pee Sons Pvt Ltd, another company owned by the promoters), in-house weaving for Hand Tufted, Hand Knotted (Tibetan Knot), and Handloom carpets. The firm uses some of the most reliable logistics partners to provide clients with a smooth shipping and handling service. With a highly qualified team of designers and technicians, Patodia Exports has shown its capability by supplying carpets to some of the largest wholesale and retail labels.

Financials (Standalone):

| | (Rs. crore) | |
|----------------------------|------------------------|------------------------|
| For the year ended/ As On* | 31-3-2023 (Audited) | 31-3-2024 (Audited) |
| Total Operating Income | 87.81 | 87.69 |
| EBITDA | 13.77 | 14.86 |
| PAT | 8.01 | 6.78 |
| Total Debt | 41.21 | 47.41 |
| Tangible Net-worth | 14.27 | 18.52 |
| Ratios | | |
| EBITDA Margin (%) | 15.69 | 16.95 |
| PAT Margin (%) | 9.05 | 7.72 |
| Overall Gearing ratio (x) | 2.89 | 2.56 |
| Interest Coverage (x) | 6.53 | 5.34 |

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA:

CareEdge moved the rating to Issuer Not Cooperating category based on best available information vide PR dated January 07, 2025, due to unavailability of information for monitoring of rating.

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|--------------------------------|--------------------------------|----------------|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| 1. | Term Loan | Long Term | 1.00 | IVR BB+/Stable | -- | -- | -- |
| 2. | Packing Credit | Short Term | 35.00 | IVR A4+ | -- | -- | -- |
| 3. | Standby Letter of | Short Term | 3.50 | IVR A4+ | -- | -- | -- |

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--|------|------------------|------------------|------------------|------------------------------|--------------------------|
| Long Term Fund Based Bank Facility – Term Loan | - | - | - | January 15, 2032 | 1.00 | IVR BB+/ Stable |
| Short Term Fund Based Bank Facility – Packing Credit | - | - | - | - | 35.00 | IVR A4+ |
| Short Term Non-Fund Based Bank Facility – Standby Letter of Credit | - | - | - | - | 3.50 | IVR A4+ |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Patodia-Exports-24mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

| Sl. No. | Name of the Company | Consolidation Approach |
|---------|---------------------|------------------------|
| - | - | - |

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