



Press Release

Phoenix International Limited

January 13, 2022

Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Previous Ratings	Rating Action
1	Long Term bank Facility	124.00	IVR BBB-/ Negative (IVR Triple B minus with Negative outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed with revised outlook
	Total	124.00			

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of **Phoenix International Limited** have been reaffirmed with the outlook changed to negative due to the premises being vacated by some tenants which has affected the short-term revenue visibility. Nonetheless, the company continues to derive 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.

Upward Factors

- Improvement in rental income in case of new tenants
- **Downward Factors**
- Delay in repayment by the tenants due to low occupancy during the lockdown period
- Reduction in rental income due to vacating the premises.



Press Release

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 estate industry and shoe manufacturing business.. 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 some tenants might leave the premises.

Modest scale of operations:

The company's operations in the footwear segment have declined over the years. The revenues have been constantly fluctuating in the range of Rs. 20–Rs. 25 crores for the year 2019 – 2020 and Rs 5.38 crs during the year 2021. 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 Approach

Applicable Criteria:

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

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate



Press Release

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.

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):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	42.98	24.18
EBITDA	14.46	15.84
PAT	3.23	0.99
Total Debt	80.90	103.33
Adjusted Tangible Net worth	333.51	335.68
EBITDA Margin (%)	33.63	65.50
PAT Margin (%)	6.98	3.94
Overall Gearing Ratio (x)	0.24	0.31

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (13 January 2022)	Date(s) & Rating(s) assigned in 2020-21 (29 October 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan LRD	Long Term	124.00	IVR BBB-/ Negative	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: Abhijeet

Tel: (011) 24611910

Email: abhijeet.kumar@infomerics.com

Name: Om Prakash Jain

Tel: (011) 24611910

Email: opjain@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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating



Press Release

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

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

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Phoenix-International-lenders-jan22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan - LRD	Simple

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.