

Rating Advisory

September 25, 2020 | Mumbai

Phoenix International Limited

Advisory as on September 25, 2020

This rating advisory is provided in relation to the rating of Phoenix International Limited

The key rating sensitivity factors for the rating include:

- Revenue and profitability
- Working capital management
- Cash flow mismatch

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Phoenix International Limited (PIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt. January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

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.

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Rating Rationale

August 08, 2019 | Mumbai

Phoenix International Limited

'CRISIL BB/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.95 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facility of Phoenix International Limited (PIL).

The rating reflects the advantageous location of the company's property and the extensive experience of its promoters. These strengths are partially offset by exposure to risks related to timely renewal of lease contracts, customer concentration in revenues and moderate scale of operations.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of the promoters:** Benefits from the promoters' experience of over 15 years in the commercial real estate industry, their understanding of the dynamics of the market, and healthy relations with suppliers and customers should continue to support the business.

* **Prime location:** The leased property is in Noida's commercial area Sector-60. There are various esteemed corporates present in the vicinity. This results in strong demand for rental spaces in the area, providing better revenue visibility for the company.

Weaknesses

* **Exposure to risks related to timely renewal of lease contracts:** PIL's lease agreements are long term (typically 5-6 years) with a lock-in period of 1-3 years. The clients could potentially move out on expiry of the contract, which can adversely affects its lease rental income. However, this risk is mitigated by the competitive rates offered by PIL.

* **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 45% of the rental income. The loss of even a single customer, especially TSSL, will exert pressure on revenue.

* **Modest scale of operations:** Business is constrained by the modest scale of operations in the intensely competitive industry. The small scale of operations will continue to limit the company's operating flexibility.

Liquidity

Liquidity is adequate. Cash accrual, expected at Rs 7.4-8.4 crore in fiscals 2020 and 2021, should comfortably cover maturing debt of Rs 4.8-5.75 crore.

Outlook: Stable

CRISIL believes PIL will maintain its stable debt servicing coverage ratio (DSCR) over the medium term, backed by steady cash inflow. The outlook may be revised to 'Positive' if DSCR improves due to higher-than-expected cash inflows driven by improvement in rentals. The outlook may be revised to 'Negative' if delays in receipts lead to cash flow mismatches, or inability to achieve anticipated rates or weak operating performance weakens profitability.

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Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	42.51	39.21
Profit After Tax (PAT)	Rs crore	3.25	1.90
PAT Margin	%	7.7	4.8
Adjusted debt/adjusted networkth	Times	1.27	1.38
Interest coverage	Times	1.4	1.4

Status of non cooperation with previous CRA:

PIL has not cooperated with ICRA Limited, which has marked its rating as 'Issuer Not Cooperating' on November 30, 2018 on account of non-provision of information required for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue Size (Rs crore)	Rating assigned with outlook
NA	Term Loan	NA	NA	Sept-2027	95.00	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Current				2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	95.00	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Term Loan	95	CRISIL BB/Stable	--	0	--
Total	95	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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