Paliwal Overseas Pvt. Ltd.

Instrument	Amount Rated	Rating Action
Long Term - Fund Based – Term Loans	Rs. 50.00 crore	[ICRA]BBB (Stable) (Assigned)
Long Term - Non Fund Based	Rs. 13.17 crore	[ICRA]BBB (Stable) (Assigned)

ICRA has assigned a rating of [ICRA]BBB (pronounced as ICRA triple B) to the Rs. 63.17 crore* long term bank facilities of Paliwal Overseas Pvt. Ltd. (POPL)†. The outlook on long term rating is stable.

While assessing the credit profile of POPL, ICRA has taken into account consolidated financial profile of Avinash Paliwal Group, whose key operational entities include POPL, Abhitex International (Abhitex), The Weave Land (TWL), and Paliwal Infrastructure Pvt. Ltd. (PIPL) as these entities have strong financial linkages, fungible cash flows and are managed by the same promoter group.

The assigned ratings take into account long standing track record of the promoter group, wherein, more than four decade long experience in textile manufacturing and export industry has facilitated strong relationships with overseas clients and has thereby been supporting steady operations and repeat business from reputed customers. Given the limited growth pursued in textile business and consequently free cash generation; over the years, the promoters have acquired ~6 lakh square feet of rent yielding commercial assets. Supported by attractive locations, these assets have witnessed high occupancies and attractive rentals, thereby leading to steady amortisation of debt raised for their acquisition as reflected in the estimated debt/rental multiple of 2.2 times as on Mar'15, with sufficient cover of 1.36 times of rentals over the EMI's. As a result, both the textile and rental business have been generating sufficient surpluses after meeting their funding requirements as well as debt repayments, leading to gradual build-up of net worth and debt coverage as reflected by estimated TD/TNW of ~0.8 time, TD/OPBDITA of ~3.0 times and DSCR of more than 1.5 times for the group. Notwithstanding the surpluses generated by the group, due to limited funding requirements in existing businesses, these surpluses are deployed in acquisition of real estate, which is currently not yielding any returns. This is reflected in more than 50% of the group's consolidated net worth deployed in non income yielding real estate.

The above strengths of the group are however offset by concentration risks in its textile as well as rental revenues as top three customers account for ~40% of textile sales and ~74% of rental income. Nonetheless, long association of customers in textile business; and competitive rentals and attractive location of commercial properties that has led to regular renewals by top occupants are comfort factors. The textile business, which accounts for ~50% of OPBDITA and includes manufacturing of home-furnishing and towels, is characterised by high level of fragmentation, thereby leading to stiff competition, low profitability margins and susceptibility of profitability to fluctuations in foreign currency exchange rates and changes in government policies related to export incentives. This apart, the textile business also operates at high level of working capital intensity driven by high inventories; nonetheless, limited revenue growth being pursued by promoters in the textile business has resulted in positive operating cash flows; thus limiting the need of incremental working capital borrowings over last few years.

Going forward, ability to sustain steady operations and maintain calibrated growth in its textile business, and sustain occupancy levels in leased properties will be driver of profits and cash accruals. Given the group's track record of deploying surplus cash accruals in real estate investments, the size, nature and timing of future investments will remain a key monitorable as any large debt funded investment without adequate income visibility can adversely impact the credit profile. Besides, the extent of withdrawals by the partners from two partnership firms will also remain a monitorable.

---

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Entity Profile

POPL is a part of Avinash Paliwal Group, whose key operational entities include Abhitex International, The Weave Land, Paliwal Overseas Pvt. Ltd, and Paliwal Infrastructure Pvt. Ltd.

Paliwal Overseas Pvt. Ltd. (POPL), promoted by Mr. Avinash Paliwal, was established in 1985. While the company was earlier engaged in textile business, it purchased a commercial building, RMZ Titanium, in Bengaluru from RMZ Corp in the year 2004. Since then, the textile business has been discontinued and POPL focuses on leasing this property and deploying surplus funds in other real estate investments of the Avinash Paliwal Group. RMZ Titanium is located in Kodihalli locality in the eastern part of Bengaluru on Old Airport Road, which is at a distance of about 6KM from central business district of Bengaluru. RMZ Titanium, a six storey tower, is spread across 2.18 acres and has leasable area of 0.22 million square feet. The building is currently enjoying 100% occupancy, and is leased out to seven reputed tenants.

On a consolidated basis, the Avinash Paliwal Group is estimated to have achieved an Operating Income (OI) of ~Rs. 310 Crore, OPBDITA of ~Rs.76 Crore, Profit after Tax (PAT) of ~Rs. 36 Crore and Net Cash Accruals (NCA) of ~Rs. 44 Crore in FY15 as against OI of ~Rs. 297 Crore, OPBDITA of ~Rs. 67 Crore, PAT of ~Rs. 35 Crore and NCA of ~Rs. 38 Crore achieved in FY14. The total borrowing of the group is estimated at Rs. 225 Crore as on Mar'15 against Rs. 208 Crore as on Mar'14.

June 2015

For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel No +91-124-4545847)

rohit.inamdar@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel No +91-124-4545310)

vivek@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: **9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: **9821086490** Email: shivakumar@icraindia.com 1802, 18th Floor, Tower 3, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone, Mumbai 400013, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	