

Palm Fibre (India) Private Limited

Instruments	Amounts (Rs. crore ¹)	Rating Action
ST – Fund based facilities	19.00 (revised from 21.00)	[ICRA]A3 / upgraded from [ICRA]A4+
ST – Fund based facilities (sub-limit)	(10.00)	[ICRA]A3 / upgraded from [ICRA]A4+
ST – Non fund based facilities (sub-limit)	(1.00)	[ICRA]A3 / upgraded from [ICRA]A4+
ST – Unallocated limits	2.00	[ICRA]A3 / assigned

ICRA has upgraded the short-term rating to [ICRA]A3 (pronounced ICRA A three) from [ICRA]A4+ (pronounced ICRA A four plus) for the Rs.19.00 (revised from 21.00) crore fund based facilities, the Rs 10.00 crore fund based facilities(sub-limit) and the Rs. 1.00 crore non fund based facilities(sub-limit) of Palm Fibre (India) Private Limited (“PFIPL” / “the company”)². ICRA has also assigned a short-term rating of [ICRA]A3 for the Rs 2.00 crore unallocated limits of PFIPL.

The rating upgrade considers the significant improvement in the operational and financial performance of the company over the past 18 months, characterized by healthy operating margin on the back of shift in product mix in favour of categories with high value addition and improvement in operating efficiency leading to better cost structure, and improvement in debt metrics on the back of higher accruals from operations leading to comfortable capitalization and coverage indicators. With moderate working capital intensity, no major term debt and capital expenditure plans in the near term, the company’s liquidity remains healthy with comfortable utilization of its working capital facilities averaging at ~35% of the sanctioned limits for the 16 month period ending March 2016. The rating continues to draw comfort from the long standing experience of the promoters in the manufacturing and export of coir, sisal, rubber and jute based products and the company’s reputed and established clientele base, which ensures repeat orders.

However, the rating remain constrained by the intense competition prevalent in the industry which restricts the company’s pricing flexibility, thereby exposing its margins to fluctuations in raw material prices; and customer and geographic concentration risks (albeit improving), exposing the firm’s business prospects to any demand slowdown in key geographies, such as Europe and USA; and the vulnerability of earnings to fluctuations in foreign exchange rates, although prudent hedging mechanisms mitigate the risk to an extent.

Company Profile

Palm Fibre (India) Private Limited (“PFIPL” / “the company”) primarily manufactures coir, sisal and jute-based doormats and rugs. The company also manufactures rubber-based doormats, blended (blend of different yarns) area rugs, geo textiles and garden articles. The Company, which has its manufacturing facilities located in and around Alleppey (Kerala), primarily markets its products in United States and Europe. The entity was incorporated as Palm Fibre Gover Horowitz Private Limited in 1983 and later renamed in 2003 as Palm Fibre (India) Private Limited. PFIPL has remained a closely held family business, currently managed by Mr. Jos Paul Mathew, who is the Managing Director of the company.

Recent Results

PFIPL has reported a profit after tax (PAT) of Rs. 9.0 crore on an operating income (OI) of Rs. 104.8 crore during 2014-15 as against a PAT and OI of Rs. 6.3 crore and Rs. 105.1 crore respectively during 2013-14. As per the provisional financials, the company has recorded an OI of Rs 80.7 crore with a PAT of Rs 8.4 crore for 10 months ending January 2016.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, refer ICRA’s website (www.icra.in) or other ICRA rating publications



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