

Palm Fibre (India) Private Limited

Instrument	Amount (Rs. Crore)	Rating Action December 2016
Short-term fund based limits	19.00	[ICRA]A3/reaffirmed
Short-term fund based limits (sub-limit)	(7.00) (revised from 11.00)	
Short-term unallocated	2.00	
Total	21.00	

ICRA has reaffirmed the short term rating of [ICRA]A3 (pronounced ICRA A three)¹ assigned to the Rs. 19.00 crore² short term fund based facilities and the Rs. 7.00 crore (revised from Rs. 11.00 crore) fund based (sub-limit) facility of Palm Fibre (India) Private Limited ("PFIPL"/ the company). ICRA has also reaffirmed the short term rating of [ICRA]A3 assigned to the Rs. 2.00 crore unallocated facilities of PFIPL.

The reaffirmation of the rating takes into account the long standing experience of the promoters in manufacturing and export of jute, coir and rubber based products and the company's reputed and established clientele base like Target Stores and William Sonoma Inc., among others, which ensures repeat orders. The rating continues to draw comfort from the significant improvement in the operational and the financial performance of the company, characterized by healthy operating margin on the back of shift in product mix in favor of categories with high value addition and improvement in operating efficiency leading to better cost structure. The rating also favorably factors in the improvement in debt metrics on the back of higher accruals from operations leading to comfortable capitalization and coverage indicators. With moderate working capital intensity and no outstanding term loans, the company's liquidity remains healthy.

However, the rating remains 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. The rating also takes into account customer and geographic concentration risks exposing the company's business prospects to any demand slowdown in key geographies, such as USA and Europe, with the company deriving around 70% of revenues from USA. The rating also considers vulnerability of the profitability to fluctuations in foreign exchange rates; this is however mitigated to an extent through the hedging mechanisms in place.

Going forward, the company's ability to scale up its operations while improving margins and to acquire new customers thereby mitigating the customer concentration risk would remain the key rating sensitivities.

Company Profile

Palm Fibre (India) Private Limited ("PFIPL" / "the company") primarily manufactures jute and coir-based doormats and rugs. The company also manufactures rubber-based doormats and blended (blend of different yarns) area rugs. The company, which has its manufacturing facility located in Alleppey (Kerala), primarily markets its products in United States and Europe. The company also has showrooms in Cochin and Delhi to create visibility for its products. PFIPL was founded in the year 1945 as Palm Fibre Yarns and Trading Company which was primarily engaged in export of coir yarn and a range of value added products. The entity was later 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.

¹ For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

² 1 crore = 100 lakh = 10 million

Recent Results

PFIPPL has reported a profit after tax (PAT) of Rs. 9.2 crore on an operating income (OI) of Rs. 97.2 crore during FY2016 as against a PAT and OI of Rs. 9.0 crore and Rs. 104.8 crore respectively during FY2015. During 6m FY2017 (as per provisional results), the company has witnessed an operating income of Rs. 61.8 crore.

December 2016

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