



Press Release

Phoenix International Limited

April 11, 2023

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1	Long Term Bank Facility – LRD	124.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Negative (IVR Triple B minus with Negative outlook)	Reaffirmed with outlook Revised	Simple
	Total	124.00	Rs. One Hundred Twenty - Four Crores only			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long-term rating of IVR BBB- and revised the outlook from Negative to Stable for the bank loan facilities of Phoenix International Limited (PIL) due to improvement in Lease Rentals and Shoe Manufacturing income.

The company continues to derive comfort from its experienced promoters, established brand recognition, improvement in shoe manufacturing business post pandemic and escrow mechanism for LRD. 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.

IVR has principally relied on the standalone audited financial results of PIL up to 31 March 2022, and projected financials till FY32, and publicly available information/ clarifications provided by the company's management.

Upward Factors



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- Maintaining the liquidity, leading to a sustained improvement in the credit protection metrics
- Timely receipt of payments from counterparties

Downward Factors

- Subdued industry scenario
- Vacating by any company and/or external factor leading to sustained delay in receiving rental income which affects the cash flows as projected will lead to a rating downgrade

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, shoe manufacturing business and estate industry. 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.

- **Improvement in Shoe Manufacturing Business:**

The company has seen substantial growth in the shoe manufacturing business with increase of 104% from Rs. 5.38 crore in FY21 to Rs. 11.00 crore in FY22. This is primarily due to the pent up demand post covid. Although, the scale has not reached pre – covid levels, the company still has sufficient capacity to meet the increasing demand.

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. Due to the pandemic, some tenants left the estates as more and more companies started



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working remotely. This led to reduction in the rental income from Rs. 18.81 crore in FY21 to Rs. 15.97 crore in FY22.

- **Modest scale of operations:**

The revenues have been constantly fluctuating in the range of Rs. 20–Rs. 25 crores for the year 2021 – 2022 and Rs 26.97 crs during the year 2022.

Analytical Approach: Standalone Approach

Applicable Criteria:

- [Rating Methodology for Real Estate Companies](#)
- [Lease Rental Discounting](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\)](#)
- [Criteria for assigning rating outlook](#)

Liquidity – Adequate

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. The company is generating enough surplus to service the repayment and going forward with rent escalation clauses in place, the surplus will increase, thus providing more cushion. The company also has a strong current ratio of 2.17 as on 31st March 2022, showing sufficient liquidity in the short term supporting the shoe manufacturing business.

About the Company

Phoenix International Limited was set up in 1995 and is 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 tenants.



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Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	24.18	26.97
EBITDA	15.84	13.79
PAT	0.99	2.07
Total Debt	103.33	94.65
Adjusted Tangible Net worth	319.77	321.16
EBITDA Margin (%)	65.50	51.12
PAT Margin (%)	3.94	7.63
Adjusted Overall Gearing Ratio (x)	0.32	0.29

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating Date(s) & Rating(s) assigned in 2023-24 (April 11, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (13 January 2022)	Date(s) & Rating(s) assigned in 2020-21 (29 October 2020)
1	Long Term Bank Facility – LRD	Long Term	124.00	IVR BBB-/ Stable	-	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.

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches 4 in major cities and representatives in several locations. For more information visit www.infomerics.com

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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 Bank Facility – LRD	-	-	November 2031	124.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)

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

Annexure 3: Facility wise lender details

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

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.