Press Release

Phoenix International Limited

February 25, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	66.42	IVR BBB-/Stable [IVR Triple B Minus with Stable Outlook]	IVR BB+/Negative; Issuer Not Cooperating [IVR Double B Plus with Negative Outlook; Issuer Not Cooperating]	Rating upgraded and outlook revised from Negative to Stable, removed from INC category	Simple
Total	**66.42**	**Rupees Sixty-six crore and forty-two lakhs only**			

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its rating to the bank facilities of Phoenix International Limited (PIL) with outlook revised from Negative to Stable and removed from Issuer Not Cooperating category.

The rating action continues to take into consideration moderate financial risk profile along with inbuilt rental escalations at regular intervals and experienced promoters with relevant background. However, these strengths are partially offset by exposure to risks related to timely renewal of lease contracts along with moderate scale of operations.

The outlook is revised from negative to stable on the back of expected consistent revenue from the lease rental over medium to long term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that PIL business & financials risk profile will be maintained over the medium term considering the overall risk profile of the company.

Infomerics Ratings has principally relied on the standalone audited financial results of PIL up to FY24 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for

FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027) and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Improvement in rental income in case of new tenants with higher than present rates along with more favourable terms leading to generation of more than expected cash surplus

Downward Factors

- Reduction in rental income due to non- renewal/ fresh tie-ups at competitive rates upon the expiry of lease tenor/ termination of lease agreement with any of the tenants leading to reduction in cash surplus

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with relevant background

Phoenix International Limited is led by Mr. Narendra Aggarwal, who brings more than 36 years of extensive experience and Mr. Narendra Kumar Makkar, who has more than 36 years of experience in commercial real estate, shoe manufacturing business and estate industry. The long-standing presence of the promoters in the industry has enabled the company to establish strong relationships with customers in a remarkably short time.

Moderate financial risk profile

The financial risk profile of the Company is moderate marked by moderate capital structure and debt protection metrics. Overall gearing ratio stood at 1.87x as on March 31, 2024 against 2.26x as on March 31, 2023. The TOL/ATNW improved and stood at 2.42x as on March 31, 2024 against 3.18x as on March 31, 2023 primarily due to repayment of term loan and creditors during FY2. The debt protection metrics remained moderate with interest Coverage ratio of 1.99x in FY 2024 against 1.85x in FY 2023 and debt service coverage ratio of 0.72x in FY 2024 against 0.75x in FY 2023

Inbuilt rental escalations at regular intervals

The lease agreements with tenants include inbuilt rental escalations at regular intervals, which vary in both rate and timing depending on the specific terms agreed upon with each tenant.

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

Moderate scale of operations:

The total operating income (TOI) of the company has remained modest over the years, with a CAGR of 4.32% over the last three fiscal years. TOI of the company declined in FY24 to Rs 27.45 crore in FY24 compared to Rs 32.37 crore in FY23. Revenue from the rental segment remained stable at Rs 18.47 crore in FY24 consistent with FY23. However, the revenue from manufacturing of upper shoe segment declined to Rs 8.97 crore in FY24 Rs 13.89 crore in FY23 since demand remain subdued in FY24 due to market situation. The company registered revenue of Rs 17.89 Crore in 9MFY25 against Rs 20.77 in 9MFY24. Revenue from lease rentals provides revenue visibility in medium term.

Analytical Approach: Standalone

Applicable Criteria:

Lease Rental Discounting.
Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

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. In addition to that the company has free cash & cash equivalents of Rs 5.46 crore as on 31 March 2024.

About the Company

Phoenix International Limited (PIL) 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.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	32.37	27.45
EBITDA	12.84	13.86
PAT	2.54	2.29
Total Debt	85.39	75.21
Adjusted Tangible Net Worth	37.83	40.25
EBITDA Margin (%)	39.67	50.51
PAT Margin (%)	6.94	9.16
Overall Gearing Ratio (x)	2.26	1.87
Interest Coverage (x)	1.85	1.99

** Classification as per Infomerics Standard*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

S.No.	Name of Instrument /Facilities	Type	Current Rating (Year 2024-25)			Rating History for past 3 years		
			Amount outstanding (Rs. Crore)	Ratings	Date (s) & Rating (s) in 2024-25	Date(s) & Rating(s) reaffirmed in 2023-24 (April 11 ,2023)	Date(s) & Rating(s) reaffirmed in 2021-22 (Jan 13, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Oct 29, 2020)
1.	LRD	Long Term	66.42	IVR BBB-/Stable	**(Jun 10, 2024)** IVR BBB-/Negative (INC) **(Nov 22, 2024)** IVR BB+/ Negative (INC)	IVR BBB-/ Stable	IVR BBB-/ Negative	IVR BBB-/Stable

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan – LRD	-	-	-	Sept, 2027	39.11	IVR BBB-/Stable
Term Loan – LRD	-	-	-	Nov, 2031	27.31	IVR BBB-/Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-phoenix-international-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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.