

Pavathal Spinning Mills Private Limited

January 22, 2021

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	10.03	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	0.50	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	10.53 (Rs. Ten Crore and Fifty- Three Lakhs Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 28, 2020 placed the rating(s) of Pavathal Spinning Mills Private Limited (PSMPL) under the 'issuer non-cooperating' category as PSMPL had failed to provide information for monitoring of the rating. PSMPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 17, 2020 In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by Pavathal Spinning Mills Private Limited with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating January 28, 2020 the following were the rating strengths and weaknesses:

Key Rating Weakness
Working capital intensive nature of operations

The operating cycle continued to remain elongated at 110 days in FY19 as against 114 days in FY18.

Susceptibility of margins to raw material price movements and intense competition in a highly fragmented industry, which restricts pricing flexibility

The profitability margins remained fluctuating during the review period. The price of the major raw material, viscose staple fibre, is highly volatile and the profitability margins are directly associated with prices of the fibre. The intense competition in highly fragmented textile industry also restricts the ability to completely pass on volatility in input cost to customers unless other organised dominant players in the market also increase the prices.

Key Rating Strengths
Long experience of the promoters spanning over three decades in the textile industry

Promoters of the company have more than three decades of experience in the textile industry and all the promoters are actively involved in the daily operations of PSM.

Improvement in total operating income and profitability margins

The total operating income of the company has improved by 5.37% in FY19. The company has achieved Rs. 51.60 in FY19 as against Rs. 48.97 in FY18. The profitability margins of the company have improved in FY19 marked by its PBILDT margin and PAT margin at 8.01% and 1.25% respectively as against 7.37% and 0.45% in FY18.

Comfortable capital structure and adequate debt coverage indicators

The capital structure of the company has deteriorated, however stood satisfactory, marked by overall gearing ratio of 1.05x as on March 31, 2019 as against 0.78x during FY18. Further TD/GCA & interest coverage ratio stood at 8.53x and 2.61x respectively during FY19 as against 7.72x and 2.39x as on March 31, 2018.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; based on best available information

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[CARE's Methodology for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Pavathal Spinning Mills Private Limited (PSMPL) was established in 1982 as 'Palani Karthik Spinning Mills Private Limited' and was taken over by the promoters of PSMPL in 1992. The company engaged in manufacturing and sale of only viscose yarn. The manufacturing facility of the company is located in Dindigul, Tamil Nadu.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	48.97	51.60
PBILDT	3.61	4.13
PAT	0.22	0.64
Overall gearing (times)	0.78	1.05
Interest coverage (times)	2.39	2.61

A-Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Mar 2019**	0.03	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

**Updated information not available, since the due date is already over and we don't have the update on closure of the same

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.03	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (28-Jan-20)	1)CARE BB+; Stable (20-Dec-18)	1)CARE BB+; Stable (27-Dec-17)
2.	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (28-Jan-20)	1)CARE BB+; Stable (20-Dec-18)	1)CARE BB+; Stable (27-Dec-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20)	1)CARE A4+ (20-Dec-18)	1)CARE A4+ (27-Dec-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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