

## Patspin India Limited

April 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	92.03	CARE D (Single D)	Reaffirmed
Short-term Bank Facilities	157.50	CARE A4 (A Four)	Reaffirmed
Long/Short-term Bank Facilities	7.00	CARE C; Stable/ CARE A4 (Single C; Outlook: Stable/A Four)	Reaffirmed
<b>Total Facilities</b>	<b>256.53</b> <b>(Rupees Two hundred and fifty six crore and fifty three lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings takes into account the instances of delays in servicing of term loans on account of relatively lower cash accruals in FY18 (refers to the period April 1 to March 31). The ratings also take note of experience of the promoters & management and synergy of operations among the group companies.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### *Instances of delays in debt servicing*

Total operating income of the company marginally declined by 2% to Rs.547 crore in FY18 from Rs.557 crore in FY17. The company reported a net loss of Rs.4 crore in FY18 compared to a net profit of Rs.10 crore in FY17. On account relatively low cash accruals and higher interest cost, there have been instances of delays in servicing of term loans. The debt servicing track record for fund-based and non-fund based bank facilities remain satisfactory.

#### Key Rating Strengths

##### *Well-experienced promoters and management*

Mr. B.K. Patodia, current Chairman of PIL is an engineering graduate from BITS, Pilani. He has over 4 decades of experience in textile industry, yarn marketing and cotton trade. He was the past chairman of the Cotton Textiles Export Promotion Council (Texprocil), Mumbai. He is also the past chairman of the Indian Cotton Mills' Federation (now known as Confederation of Indian Textile Industry) and Southern India Mills' Association, Coimbatore. He had also served as President of Cochin Chamber of Commerce and Industry, Cochin and Employers' Federation of Southern India, Chennai. Mr. Umang Patodia (son of B.K. Patodia) is the current MD of PIL and has over 2 decades of experience in textile industry. He is ably supported by a well-qualified and experienced management team to handle the day-to-day affairs of the company.

##### *Synergy of operations among the group companies*

The group is operating three textile mills in the states of Tamil Nadu & Kerala. Major activities such as procurement, marketing and allocation of orders to different units are done at the group level. Companies are likely to benefit from this synergy of operations.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[CARE's methodology for Short-term Instruments](#)

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

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology for Cotton Yarn Industry](#)

### About the Company

Patspin India Limited (PIL) is part of Kerala based GTN group. GTN group was established by Late Mr. M.L. Patodia in 1960. GTN group has presence in spinning yarn, knitting, processing and garmenting. Primary business activity of PIL is production and sale of cotton yarn (counts ranging from 20s to 100s). In addition to this, PIL is also engaged in value-adding activities like TFO (Two-For-One) twisting and gassing of textile yarn. Incorporated in the year 1991, PIL had set up its first spinning unit in Palakkad, Kerala, in 1993, with 52 ring frames having 51,456 spindles. During 2007, PIL had set up

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

its second spinning unit in Ponneri, Tamil Nadu, with 52 ring frames having 62,400 spindles. As on March 31, 2018, the total capacity of PIL stood at 113,856 spindles. In FY18, the company adopted IndAS and accordingly fair valued the assets and other equity.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	557	547
PBILDT	55	31
PAT	10	(4)
Overall gearing (times)	3.83	3.47
Interest coverage (times)	1.58	0.95

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**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 2022	92.03	CARE D
Fund-based - ST-EPC/PSC	-	-	-	53.00	CARE A4
Non-fund-based - LT/ ST-BG/LC	-	-	-	7.00	CARE C; Stable / CARE A4
Non-fund-based - ST-Letter of credit	-	-	-	61.25	CARE A4
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	37.75	CARE A4
Non-fund-based - ST-Bank Guarantees	-	-	-	5.50	CARE A4

## 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	92.03	CARE D	-	1)CARE D (04-Dec-17)	1)CARE D (22-Feb-17)	1)CARE D (26-Oct-15)
2.	Fund-based - ST-EPC/PSC	ST	53.00	CARE A4	-	1)CARE A4 (04-Dec-17)	1)CARE A4 (22-Feb-17)	1)CARE A4 (26-Oct-15)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	7.00	CARE C; Stable / CARE A4	-	1)CARE C; Stable / CARE A4 (04-Dec-17)	1)CARE C; Stable / CARE A4 (22-Feb-17)	1)CARE C / CARE A4 (26-Oct-15)
4.	Non-fund-based - ST-Letter of credit	ST	61.25	CARE A4	-	1)CARE A4 (04-Dec-17)	1)CARE A4 (22-Feb-17)	1)CARE A4 (26-Oct-15)
5.	Fund-based - ST-Packing Credit in Indian rupee	ST	37.75	CARE A4	-	1)CARE A4 (04-Dec-17)	1)CARE A4 (22-Feb-17)	1)CARE A4 (26-Oct-15)
6.	Non-fund-based - ST-Bank Guarantees	ST	5.50	CARE A4	-	1)CARE A4 (04-Dec-17)	1)CARE A4 (22-Feb-17)	1)CARE A4 (26-Oct-15)

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