

## Pavathal Spinning Mills Private Limited

January 28, 2020

### Rating

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	10.03	<b>CARE BB; Stable ISSUER NOT COOPERATING* (Double B; Outlook : Stable ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) On the basis of best available information
Short-term Bank Facilities	0.50	<b>CARE A4; ISSUER NOT COOPERATING* (A Four) ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE A4+ (A Four) On the basis of best available information
<b>Total Facilities</b>	<b>10.53 (Rupees ten crore and fifty three lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

#### **Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Pavathal Spinning Mills Private Limited to monitor the rating vide e-mail communications/ letters dated November 25, 2019, November 29, 2019, December 09, 2019, December 19, 2019 & January 17, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Pavathal Spinning Mills Private Limited's bank facilities will now be denoted as **CARE BB;Stable; / CARE A4; ISSUER NOT COOPERATING\***

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

*The ratings assigned to the bank facilities of Pavathal Spinning Mills Private Limited (PSM) continues to be tempered by working capital intensive nature of operations and susceptibility of margins to raw material price movement, and intense competition in a highly fragmented industry.*

*The ratings also factors in improvement in total operating income and profitability margins in FY19 (refers to period April 01 to March 31).*

*The ratings however continues to derive strength from long experience of the promoters spanning over three decades in the textile industry, and comfortable capital structure and adequate debt coverage indicators.*

#### **Detailed description of the key rating drivers**

##### **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.

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

**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.

**Analytical Approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning rating Outlook and credit ratings](#)

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

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

[Rating Methodology on cotton textile manufacturing](#)

**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	-	-	March 2019	0.03	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	0.03	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (20-Dec-18)	1)CARE BB+; Stable (27-Dec-17)	1)CARE BB+; Stable (23-Dec-16)
2.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (20-Dec-18)	1)CARE BB+; Stable (27-Dec-17)	1)CARE BB+; Stable (23-Dec-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	-	1)CARE A4+ (20-Dec-18)	1)CARE A4+ (27-Dec-17)	1)CARE A4+ (23-Dec-16)

**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 nearly 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 corporate 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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