

## Press Release

### Platinum Textiles Limited

April 02, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 485.53 crore
<b>Long Term Rating</b>	SMERA BBB+/ Stable (Assigned)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned a long term rating of '**SMERA BBB+**' (read as SMERA triple B plus) on the Rs. 485.53 crore bank facilities of Platinum Textiles Limited. The outlook is '**Stable**'.

#### About Platinum Textiles Limited

Platinum Textiles Limited (PTL) was incorporated in 1993 (Previously known as Neha Furnishing Private limited) has been acquired by ShriVallabh Pittie Group and name changed to Platinum Textiles Limited w.e.f. from 31.12.2009. PTL is the flagship company of ShriVallabh Pittie Group and 100 per cent subsidiary of Citron Infra Projects Limited which is a holding company of the Group.

PTL is engaged in manufacturing and trading of cotton, polyester, blended (polyester and cotton) yarn. The company has three manufacturing units at Tamil Nadu and one unit at Rajasthan. PTL is a major player in the yarn industry and has installed capacity of 98000 spindles at Tamil Nadu unit and 50000 spindles at Rajasthan.

#### About ShriVallabh Industries Limited:

ShriVallabh Industries Limited (SVIPL) incorporated in 2012 by Mr. Chirag Pittie is engaged in manufacturing of cotton compact yarn. The manufacturing facility is located at Jhalawar (Rajasthan) with an installed capacity of 1, 00,000 spindles. This company was incorporated by Mr. Chirag Pittie in order to further expand its cotton compact yarn business.

#### Key rating drivers

##### Strengths:

##### **Established presence in the yarn industry and experienced management**

PTL has established market presence in the yarn industry through Shri Vallabh Pittie Group. The management of the company has experience in the yarn industry for more than three decades. The company has established healthy customer relationship with reputed customers such as Boston Garments, Oneworld Industries, Richway International among others.

SMERA believes that PTL will sustain the existing business profile on the back of established market presence in the yarn industry and healthy customer relationship over the near to medium term.

### **Large scale of operations**

The group has large scale of operations marked by operating income of Rs.1545.65 crore in FY2017 as against Rs.1281.59 crore in FY2016 and Rs.1013.30 crore in FY2015. Further, the group has achieved revenue of Rs.941.98 crore for the period April to December 2017 (Provisional). Around 40 per cent of the revenue of the company is generated from manufacturing and remaining 60% from the trading activity. The operating margin of the company stood at 4.80% in FY2017 as against 4.23% in FY2016. The Profit After Tax (PAT) margin is thin at 0.66% in FY2017 as against 0.64% in FY2016. The reason for PAT margins to be so thin is because of majority of the revenue being generated from trading activities wherein low margins are inherent due to less value addition in trading. SMERA believes that the group will sustain its large scale of operations on the back of established track record of operations in the yarn industry.

### **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by healthy net worth of Rs.508.59 crore as on 31 March 2017 including Rs.127.74 crore considered as quasi equity. The net worth stood at Rs.355.82 crore as on 31 March 2016. The total debt of Rs.745.37 crore outstanding as on 31 March 2017 comprises Rs. 432.13 crore as term loan from bank and Rs. 313.24 crore as working capital borrowings from bank. The interest coverage ratio stood at 1.70 times in FY2017 as against 1.36 times in FY2016. DSCR stood at 1.50 times in FY2017 as against 1.04 times in FY2016. The net cash accruals stood at Rs.49.24 crore in FY2017 as against Rs.12.26 crore in FY2016. SMERA believes the group will sustain its financial risk profile over the near to medium term.

### **Weaknesses**

#### **Working capital intensive operations**

The group has working capital intensive operations marked by high Gross Current Asset (GCA) days of 173 in FY2017 as against 123 in FY2016. This is majorly on account of high receivable days which stood at 126 in FY2017 as against 99 in FY2016. The supplier days stood at 23 in FY2017 as against 13 in FY2016. The average bank limit utilization stood at ~94% for the last six months ended December 2017. SMERA believes that being into yarn manufacturing industry the operations of the group will remain working capital intensive.

#### **Susceptibility of profitability margins to volatility in the raw material prices**

The prices of polyester and cotton yarn are highly volatile in nature. Any adverse change in the raw material prices will directly impact the profitability margins of the platinum group. SMERA believes the ability of the group to maintain the profitability margin would be a key rating sensitivity.

#### **Analytical Approach**

SMERA has consolidated the business and financial risk profile of PTL and SVIL to arrive at the rating.

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Outlook: Stable

SMERA believes that Platinum group will maintain a 'Stable' outlook over the medium term on account of the company's established market position in the cotton yarn industry and extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

### About Shri Vallabh Pittie Group:

SVP Global Ventures Limited known as Pittie Group headed by Mr. Chirag Pittie was established in 1898 is engaged in manufacturing of yarn. The group has presence in Retail, Textile, Media, Real estate, Infrastructure and Jewelry exports. The group exports to countries like China, Bangladesh, Pakistan, Vietnam, Portugal and Turkey.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1,545.65	1,281.59	1,013.31
EBITDA	Rs. Cr.	121.25	54.17	41.89
PAT	Rs. Cr.	16.99	8.20	7.03
EBITDA Margin (%)	(%)	7.84	4.23	4.13
PAT Margin (%)	(%)	1.10	0.64	0.69
ROCE (%)	(%)	9.45	10.25	18.76
Total Debt/Tangible Net Worth	Times	1.47	0.84	0.72
PBDIT/Interest	Times	1.70	1.36	1.86
Total Debt/PBDIT	Times	6.07	5.33	3.40
Gross Current Assets (Days)	Days	173	123	118

### Status of non-cooperation with previous CRA (if applicable):

None

### Any other information:

None

### Rating History for the last three years:

Not Applicable

**\*Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.25	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.25	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	70.00	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	39.25	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.50	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.75	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA BBB+/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB+/Stable
Term loan I	Not Applicable	Not Applicable	Not Applicable	2.35	SMERA BBB+/Stable
Term loan II	Not Applicable	Not Applicable	Not Applicable	3.18	SMERA BBB+/Stable
Term loan III	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BBB+/Stable
Term loan IV	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BBB+/Stable
Term loan V	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB+/Stable
Term loan VI	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB+/Stable
Term loan VII	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB+/Stable

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**ABOUT SMERA**

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