

Press Release

Platinum Textiles Limited

May 18, 2018

Rating Assigned



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

**Refer Annexure for details*

Pls Note: In the Press Release of **Platinum Textiles Limited** published on 02 April 2018, consolidated figures of PTL and SVIPL were published. Standalone figures for PTL have been incorporated in this press release.

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). 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 and 50000 spindles at Rajasthan. Further, the company also used additional spindles on contractual basis. The count of yarn ranges from 20 to 80.

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. 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). 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 higher operation costs and less sophisticated machineries at Tamil Nadu unit. 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 together referred to as SVP Group 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:

ShriVallabh Pittie Group (SVP Group) headed by Mr. Chirag Pittie one of the major player engaged in manufacturing of cotton and polyester & cotton blended yarn and combed compact yarn. SVP Group has total manufacturing capacity located at Jhalawar, Rajasthan of over 350,000 spindles and 2400 Rotors. The manufacturing facilities are fungible between specialized cotton and polyester blended yarns depending on customer preference and demand scenario. SVP is the seventh largest combed compact cotton yarn manufacturer in India. SVP Group caters to the states of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh and Tamil Nadu. SVP group also has presence in the international markets and is exporting yarn to China, Bangladesh, Vietnam, Portugal, Turkey, Pakistan etc.

About the Rated Entity – Consolidated 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 |

About the Rated Entity – Standalone Key Financials of PTL:

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 1,314.58 | 1,281.59 | 1,013.30 |
| EBITDA | Rs. Cr. | 63.12 | 54.17 | 41.89 |
| PAT | Rs. Cr. | 8.70 | 8.20 | 7.03 |
| EBITDA Margin | (%) | 4.80 | 4.23 | 4.13 |
| PAT Margin | (%) | 0.66 | 0.64 | 0.69 |
| ROCE | (%) | 10.04 | 12.37 | 18.90 |
| Total Debt/Tangible Net Worth | Times | 2.48 | 2.29 | 1.54 |
| PBDIT/Interest | Times | 2.01 | 1.63 | 1.07 |
| Total Debt/PBDIT | Times | 7.79 | 6.00 | 4.86 |
| Gross Current Assets (Days) | Days | 150 | 119 | 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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|---|---|
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ABOUT SMERA

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