

Press Release

Tirupur Pandit Hosiery Millss Private Limited

August 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.40.00 crore bank facilities of Tirupur Pandit Hosiery Millss Private Limited. The outlook is '**Stable**'.

The Tamil Nadu based, Tirupur Pandit Hosiery Millss Private Limited (TPHM) was established as a partnership firm in 1974 and in 2004, the constitution changed to as a private limited company. The company is engaged in manufacture of readymade garments (RMG) for male, female and kids wear. TPHM is a 3 star export house (recognised by Government of India) and ISO 9001 certified company.

Key Rating Drivers

Strengths

- **Established presence in the textile industry and experienced management**

TPHM incorporated in 1974 by Mr. N. Subramanian and Mr. P. Padmanaban is engaged in manufacturing of readymade garments. It has established market presence in the industry for over three decades. The company has established healthy relationship with customers and suppliers. It derives 98 percent of its income from export market. Acuite believes that TPHM will sustain the existing business profile on the back of established market presence in the textile industry and healthy customer relationship over the near to medium term.

Weaknesses

- **Decline in revenues**

The revenues of TPHM declined to Rs.82.28 crore in FY2018 (Provisional) from Rs.113.99 crore in FY2017. The decline was mainly due to decrease of orders from customers. Acuite believes that TPHM's ability to diversify its customer base in order to strengthen its revenue profile to sustain the competitive pressure from local and international competitive players will remain a key in rating sensitivity.

- **Average financial risk profile**

TPHM has average financial risk profile marked by tangible net worth of Rs.5.64 crore as on 31 March, 2018 (Provisional) as against Rs.4.47 crore as on 31 March, 2017. It includes unsecured loan of Rs.11.42 crore as on 31 March, 2018 which is considered as quasi-equity as same is subordinated to bank debt. The adjusted gearing stood high at 5.44 times as on 31 March, 2018 (Provisional) as against 8.71 times as on 31 March, 2017. The total debt stood at Rs.30.72 crore which includes term loans of Rs.7.01 crore and working capital borrowings of Rs.23.71 crore. Interest Coverage Ratio (ICR) stood at 1.73 times for FY2018 (Provisional) as against 1.56 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 9.08 times for FY2018 (Provisional) as against 12.95 times in FY2017. Going forward, Acuite expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of TPHM to arrive at this rating.

Outlook: Stable

Acuite believes that TPHM will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins capital structure and working capital management. Conversely the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	82.28	113.99	67.39
EBITDA	Rs. Cr.	7.28	6.76	4.84
PAT	Rs. Cr.	1.17	0.88	0.46
EBITDA Margin	(%)	8.85	5.93	7.17
PAT Margin	(%)	1.43	0.77	0.68
ROCE	(%)	12.95	15.32	25.43
Total Debt/Tangible Net Worth	Times	5.44	8.71	9.43
PBDIT/Interest	Times	1.73	1.56	1.30
Total Debt/PBDIT	Times	4.19	4.92	5.88
Gross Current Assets (Days)	Days	126	117	181

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.21	ACUITE BB- / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A4 (Assigned)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Assigned)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.30	ACUITE A4 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.99	ACUITE BB- / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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