

Press Release

Pratibha Syntex Limited

May 24, 2022



Rating Upgraded & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	139.79	-	ACUITE A3+ Upgraded
Bank Loan Ratings	23.03	ACUITE BBB Upgraded & Withdrawn	-
Bank Loan Ratings	366.02	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	505.81	-	-
Total Withdrawn Quantum (Rs. Cr)	23.03	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 505.81 crore bank facilities of Pratibha Syntex Limited. The outlook is '**Stable**'.

Acuite has also upgraded and partly withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.23.03 crore bank facilities of Pratibha Syntex Limited. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the Company

Pratibha Syntex Limited (PSL) was incorporated in 1982. The company promoted by Mr. Shiv Kumar Chaudhary and Mr. Shreyaskar Chaudhary is engaged in Manufacture & Export of Yarn (Cotton, Melange & Blended), Knitted Fabric (Grey & Dyed) and Knitted Garments (Casual & Inner Wear). PSL has its registered office in Mumbai and manufacturing facilities located at Pithampur (Madhya Pradesh).

Analytical Approach

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

Key Rating Drivers

Strengths

> Established track record and experienced management

PSL has an established operational track record of three decades. The promoters, Mr. Shiv Kumar Chaudhary and Mr. Shreyaskar Chaudhary have an experience of over two decades in textile industry. The company on account of its established track record and promoter's experience has developed healthy relations with various domestic as well as international players such as C&A Buying Gmbh & Co., Jockey International Inc., Levi Strauss, Nike, Zara among others.

> **Integrated operations and efficient procurement channel**

PSL has fully integrated business operations with manufacturing facilities for spinning, knitting, dyeing and garmenting. The company does contract farming of cotton on about 100,000 acres spread across Madhya Pradesh, Odisha, Rajasthan and Maharashtra. Around 40 percent of its total cotton requirements are met through contract farming. The rest cotton is purchased from spot market.

> **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by healthy net worth, low gearing and moderate coverage metrics. The net worth of the company stood at Rs. 263.11 crore as on 31 March 2021 as against Rs. 238.69 crore as on 31 March 2020. The gearing (debt-equity) of the company stood low at 1.16 times as on 31 March 2021 as against 1.57 times as on 31 March 2020. Total debt of the company stood at Rs. 306.47 crore as on 31 March, 2021 which comprises of short term debt of Rs. 200.42 Cr, long term debt of Rs. 31.27 Cr, CPLTD of Rs. 74.79 Cr. Interest coverage ratio stood at 3.05 times for FY2021 as against 2.77 times for FY2020. Further, debt service coverage ratio stood moderate at 0.97 times in FY2021 as against 0.90 times in FY2020. DSCR stood low as the company prepaid some of its loan under the CDR. Further, the company was able to bridge this gap through unencumbered cash & bank balances, internal accruals & buffer from working capital limits. . TOL/TNW stood at 1.74 times for FY2021 as against 2.12 times for FY2020 and Debt-EBITDA stood high at 3.17 times for FY2021. However, NCA/TD stood at 0.17 times for FY2021 as against 0.15 times in previous year.

Weaknesses

> **Intensive capital intensive operations**

Deteriorated and intensive working capital requirements as evident from gross current assets (GCA) of 296 days for FY2021 as against 232 days for FY2020. Deteriorated GCA days are due to increase in debtor days from 35 days in FY2020 to 69 days in FY2021, the increase in debtor days is mainly due to the disruption caused by Covid-19 pandemic. Further, inventory days stood deteriorated from 150 days in FY2020 to 170 days in FY2021, the increase in inventory days is mainly due to the disruption caused by Covid-19 pandemic as the company was leftover with higher inventory of finished goods at the end of the financial year. Also, the receivables and inventory levels are high as on 31st March 2021 because of higher operational activities in last two quarter of FY21. Current Ratio stood moderate at 1.15 times as on 31 March 2021 as against 1.13 times in the previous year.

> **Volatility in raw material prices and government regulatory constraints**

Cotton prices are regulated by the government through the MSP (Minimum Support Price) mechanism. However, the selling price of the output depends on the prevailing demand-supply situation, restricting bargaining power with customers, thereby impacting margins. Cotton is a seasonal crop and the production of the same is highly dependent upon monsoons. Thus an inadequate monsoon may affect the availability of cotton.

> **Exposed to risk associated to foreign exchange fluctuations**

The exports of the PSL constituted around 60 percent of the total sales. As a result, the company's business is exposed to fluctuations in foreign exchange rate. The company hedges about 70 percent of its forex exposure to mitigate the same to an extent. Acuité believes that PSL should be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic and overseas markets.

Rating Sensitivities

- > Significant improvement in scale of operations while maintaining profitability will be a key rating sensitivity
- > Any elongation of the working capital cycle, leading to increased dependence on bank borrowing will be a key rating sensitivity.

Material covenants

None

Liquidity Position: Adequate

The company generated cash accruals of Rs. 49.92 crore for FY2021 as against Rs. 56.27 Cr of repayment obligations for the same period. The company was able to bridge the gap through Rs. 5.96 Cr of unencumbered cash & bank balances, internal accruals & buffer from working capital limits. Further, the liquidity position is expected to remain adequate as the company is expected to generate net cash accrual of around 73.66 Cr to 89.59 Cr for FY22-FY23 as against repayment obligation of around Rs. 74.79 to Rs. 34.13 Cr for the same period. Even though the company's operations are working capital intensive as marked by gross current asset (GCA) days of 296 in FY2021 the reliance on working capital borrowings has been moderate with the average utilization for fund based facility standing at ~85 per cent in the last fourteen months ending March 2022. Further, the current ratio stood at 1.15 times as on 31st March 2021.

Outlook: Stable

Acuité believes PSL will maintain 'Stable' business risk profile in the medium term on the back of established operational track record, long-standing experience of the promoters in the business and established relations with its customers. The outlook may be revised to 'Positive' in case of improvement in operating risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its operating risk profile due to lower than expected growth in revenues or decline in profitability.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	531.72	690.97
PAT	Rs. Cr.	25.59	28.65
PAT Margin	(%)	4.81	4.15
Total Debt/Tangible Net Worth	Times	1.16	1.57
PBDIT/Interest	Times	3.05	2.77

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

India Ratings vide its press release dated 5 October 2021, has mentioned the rating of Pratibha Syntex Limited to '[IND] BB/A4+' Issuer Not Cooperating as on 5 October 2021.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Apr 2021	Term Loan	Long Term	47.75	ACUITE BB (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	56.94	ACUITE A4+ (Issuer not co-operating*)
	Bills Discounting	Short Term	2.50	ACUITE A4+ (Issuer not co-operating*)
	Packing Credit	Short Term	20.21	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	67.73	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	58.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	3.46	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	27.35	ACUITE BB (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.96	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	16.37	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bills Discounting	Short Term	8.00	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	21.50	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	9.27	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	13.76	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	40.34	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	53.18	ACUITE BB (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	19.64	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	2.30	ACUITE BB (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	13.00	ACUITE A4+ (Issuer not co-operating*)
Cash Credit	Long Term	10.05	ACUITE BB (Downgraded and Issuer not co-operating*)	
	Cash Credit	Long Term	21.50	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	9.27	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	13.76	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	40.34	ACUITE BB (Issuer not co-operating*)
		Long		

13 Jan 2020	Cash Credit	Term	53.18	ACUITE BB (Issuer not co-operating*)
	Packing Credit	Short Term	19.64	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	2.30	ACUITE BB (Issuer not co-operating*)
	Packing Credit	Short Term	13.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	10.05	ACUITE BB (Issuer not co-operating*)
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	Term Loan	Long Term	3.96	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	16.37	ACUITE BB (Issuer not co-operating*)
	Bills Discounting	Short Term	8.00	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Issuer not co-operating*)
06 Nov	Cash Credit	Long Term	58.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	40.34	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	53.18	ACUITE BBB Stable (Assigned)
	Bills Discounting	Short Term	8.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	47.75	ACUITE BBB Stable (Assigned)
	Packing Credit	Short Term	56.94	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	10.05	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	27.35	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	16.37	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	21.50	ACUITE BBB Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BBB Stable (Assigned)

2018	Packing Credit	Short Term	13.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	2.50	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	3.46	ACUITE BBB Stable (Assigned)
	Packing Credit	Short Term	19.64	ACUITE A3+ (Assigned)
	Term Loan	Long Term	67.73	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	13.76	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	2.30	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.96	ACUITE BBB Stable (Assigned)
	Packing Credit	Short Term	20.21	ACUITE A3+ (Assigned)
	Term Loan	Long Term	9.27	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.05	ACUITE BBB Stable Upgraded
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.46	ACUITE BBB Stable Upgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	53.00	ACUITE BBB Stable Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB Stable Upgraded
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3+ Upgraded
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	54.71	ACUITE A3+ Upgraded
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	19.64	ACUITE A3+ Upgraded
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	56.94	ACUITE A3+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	133.85	ACUITE BBB Stable Upgraded
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	9.79	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	22.94	ACUITE BBB Stable Upgraded
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	30.31	ACUITE BBB Stable Upgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	31.87	ACUITE BBB Stable Upgraded

Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	18.45	ACUITE BBB Stable Upgraded
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	9.27	ACUITE BBB Upgraded & Withdrawn
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	13.76	ACUITE BBB Upgraded & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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