

Press Release

Perarignar Anna Handloom Silk Park Limited

December 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 30.00 crore bank facilities of Perarignar Anna Handloom Silk Park Limited. The outlook is '**Stable**'.

PAHSPL is a Tamil Nadu based company incorporated in 2010. It is a special purpose vehicle incorporated to establish an integrated silk handloom textile park in Kanchipuram (Tamil Nadu). PAHSPL is planning to build infrastructure for the silk handloom value chain. This SPV is supported by capital grant from Government of India (GoI) under SITP (Scheme for Integrated Textile Park), and Government of Tamil Nadu (GoTN).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and supported by GoI and GoTN**

The company is promoted by established entities and experienced management in the silk industry. The objective of incorporation of the company is to setup a silk textile park under 'Scheme for Integrated Textile Park' with end-to-end facilities of construction of sheds for silk loom, dyeing, warping and sizing, embroidery and garmenting operations; besides common infrastructure facilities of effluent and sewerage treatment plant among others. The project spreads across 75 acres of land, with 52 factory sheds and common amenities for the use of about 82 prospective member entrepreneurs into this silk park. The estimated cost of the project is about Rs.89.69 crore; proposed to be funded out of term loan of Rs.29.88 crore (~ 33 percent), promoter members contribution of about Rs.19.25 crore (~ 21 percent), Grant-In-Aid from GoI of Rs.33.02 crore (~ 38 percent) and Grant from GoTN of Rs.7.54 crore (~ 8 percent). The company has acquired the land, and obtained required clearances of environmental, pollution control board, building permissions among others for construction of the unit. It has received first tranche of grant of Rs.3.30 crore from GoI and entire grant amount from GoTN of Rs.7.54 crore. Further, it has received refundable aid of Rs.6.23 crore from GoTN to support the project implementation. Acuité believes that timely release of the grant, and the member contributions are critical for timely implementation of the project.

Weaknesses

- **Project implementation risk**

The total project cost to construct the park is Rs.89.69 crore; it has received about Rs.17.07 crore (~ 19 percent of project cost) by way of grants and additional support from GoI and GoTN till October 2018. So far land is acquired, and awaiting for financial closure to take the project ahead. Though the project was initiated during 2012, the progress of the project is at nascent stages with only land purchase and obtaining approvals. The management is expecting the project to be ready for handover by April 2021, and commercial operations by the entrepreneurs by around second quarter of FY2021. However, release of balance amount of Grant of Rs.29.70 crore from GoI is milestone based; linked to proportionate contribution from the entrepreneur members and release of term loan from Bank. Any untimely infusion of funds, or delay in financial closure and loan disbursal is expected

to hamper the timely implementation of the project. Further, the project is exposed to time or cost overruns as the time frame for commercial operations is about 8 quarters from current date.

Outlook: Stable

Acuité believes that PAHSPL will maintain a 'Stable' outlook over the medium term on account of the company's experienced management in the industry. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.07	0.21	0.01
EBITDA	Rs. Cr.	-0.19	-0.08	-0.09
PAT	Rs. Cr.	-0.21	-0.10	-0.10
EBITDA Margin	(%)	-260.03	-37.10	-845.12
PAT Margin	(%)	-288.95	-46.43	-893.46
ROCE	(%)	-1.28	-0.62	-1.20
Total Debt/Tangible Net Worth	Times	0.64	0.65	0.64
PBDIT/Interest	Times	-673.91	-94.33	-296.51
Total Debt/PBDIT	Times	-33.32	-82.99	-69.20
Gross Current Assets (Days)	Days	6049	2010	44451

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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