

Press Release

Parvathi Dyeing

September 13, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.18.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.18.00 Cr. bank facilities of Parvathi Dyeing (PD).

Rationale for reaffirmation of ratings

The rating reaffirmation considers the comfort drawn from the long track record of operations and experience of the partners in the industry. Coupled with that, the company has moderate financial risk profile and adequate liquidity with moderately high bank limit utilization. The rating, however, remains constrained on account of working capital intensive nature of operations, risk of capital withdrawal and intensive competition faced by the entity in the industry.

About the Entity

Parvathi Dyeing (PD) is a Tirupur based partnership firm established in 1985 engaged and in processing fabric dyeing. The firm was established by Mr. And Mrs. Loganathan. Currently his son Mr. Parmeshwaran and his wife Rajeshwari, joined in the operations as partners in 2002.

The firm is part of Bhuvaneshwari Group, with other group companies Bhuvaneshwari Cotspin India Private Limited (ACUITE BBB / Stable / A3+), Bhuvaneshwari Tex and BTex International. Bhuvaneshwari Tex and BTex International, both are engaged in export of RMG.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of PD to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced partners

PD was established in 1985 by Mr. Loganathan. He is supported by the second generation of the management, Mr. Paramesh Kumar and Mrs. Rajeshwari. Mr. Loganathan possess industry experience of over three decades in textile industry, while the other promoters have more than a decade of experience in the textile industry. The firm has been able to establish long-term relations with its supplier and customer base through PD and its other group entities, Bhuvaneshwari Cotspin India Private Limited and Bhuvaneshwari Tex.

• Moderate financial risk profile

PD's financial risk profile stands moderate marked by a comfortable net worth, gearing and moderate coverage indicators.

The tangible net worth stood at Rs.21.53 Cr. as on March 31, 2021 (Provisional) as against Rs.22.46 Cr. as on March 31, 2020. PD follows a conservative leverage policy as visible in the Gearing (Debt to Equity) of 0.66 times as on March 31, 2021 (Provisional) as against 0.60 times as on March 31, 2020.

The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.52 times as on March 31, 2021 (Provisional) as against 1.35 times as on March 31, 2020. The debt stood at Rs.14.13 Cr. as on March 31, 2021 (Provisional) comprising of bank loans, unsecured loans and fund based short-term bank facilities.

The coverage indicators stand moderate marked by deterioration in ICR and DSCR. The Interest Coverage Ratio (ICR) moderated to 5.63 times for FY2021 (Provisional) as against 7.47 times for FY2020 while the Debt Service Coverage Ratio (DSCR) moderated to 1.62 times for FY2021 (Provisional) as against 2.53 times for FY2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.33 times as on March 31, 2021 (Provisional) as against 0.49 times as on March 31, 2020.

Acuite believes that the financial risk profile of the company will remain moderate over the near to medium term.

Weaknesses

• Intensive working capital nature of operations

PD operates in an intensive working capital nature of operations marked by Gross Current Asset (GCA) of 183 days in FY2021 (Provisional) compared to 167 days in FY2020. The GCA days are mainly dominated by high debtors collection period of 183 days in FY2021 (Provisional) compared to 167 days in FY2020. The Inventory holding period remains low at 13 days in FY2021 (Provisional) as against 15 days in FY2020. The creditors' payment period stood at 257 days as on March 31, 2021 (Provisional) as against 241 days as on March 31, 2020. The short-term bank limits have an average utilisation for six months ending August 2021 stood of 85 to 90 percent.

Acuite believes that the firm's ability to manage its working capital requirements effectively will be the key rating sensitivity factor.

• Highly competitive industry and risk of capital withdrawal

The firm operates in a highly fragmented textile industry and faces competition from a large number of organised, integrated and unorganised players in domestic market and other nations that offer lower production costs ease of doing business and cheap labour. Further, the firm is associated with the risk of a capital withdrawal being partnership constitution by nature as visible in decline of the net worth of the entity. Any further capital withdrawal could adversely affect the capital structure, limiting financial flexibility.

Liquidity position: Adequate

PD has adequate liquidity marked by moderate net cash accruals vis-à-vis its maturing debt obligations. The firm generated cash accruals of Rs.4.63 Cr. as against maturities of ~Rs.2.00 Cr. in FY2021 (Provisional). The cash accruals of the firm are expected to remain around Rs.5.00-Rs.6.00 Cr. during 2022-24 period, while its repayment obligations are expected to subside. The working capital cycle is intensive marked by Gross Current Assets (GCA) of 183 days in FY2021 (Provisional). The company's bank limit utilisation stands at ~85-90 percent for six months ending August, 2021. The current ratio of the company stood modest at 1.00 times as on March 31, 2021 (Provisional).

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the company.

Material Covenants

None

Outlook: Stable

Acuite believes that PD will maintain a 'Stable' outlook in the near to medium term on account of its extensive experience of the partners in the business. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the firm registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	48.47	53.77
PAT	Rs. Cr.	2.27	4.35

PAT Margin	(%)	4.68	8.09
Total Debt/Tangible Net Worth	Times	0.66	0.60
PBDIT/Interest	Times	5.63	7.47

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Jun-2021	Cash Credit	Long Term	4.00	ACUITE BB- (Downgraded & Indicative)
	Term Loan	Long Term	4.30	ACUITE BB- (Downgraded & Indicative)
	Term Loan	Long Term	3.20	ACUITE BB- (Downgraded & Indicative)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Downgraded & Indicative)
	Proposed Bank Facility	Long Term	6.30	ACUITE BB- (Downgraded & Indicative)
09-May-2019	Cash Credit	Long Term	4.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	4.30	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	3.20	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	6.30	ACUITE BB / Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Karur Vysya Bank	Cash Credit	Not Applicable	Not Available	Not Applicable	4.00	ACUITE BB-/Stable (Reaffirmed)
Karur Vysya Bank	Term Loan	September, 2017	11.00%	September, 2020	4.30	ACUITE BB-/Stable (Reaffirmed)
Karur Vysya Bank	Term Loan	September, 2017	11.00%	May, 2023	3.20*	ACUITE BB-/Stable (Reaffirmed)
Karur Vysya Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A4 (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.30	ACUITE BB-/Stable (Reaffirmed)

*Sub-limit Rs. 3.20 crore FLC.

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About Acuité Ratings & Research:

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