

## Press Release

Parvathi Dyeing

December 06, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.80	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	0.20	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## 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). The outlook is '**Stable**'.

### Rationale for the rating

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. 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 Firm

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**

The firm's financial risk profile is marked by a moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.26.98 Cr and Rs.23.87 Cr as on March 31, 2022 and 2021 respectively. The gearing of the firm is improving since last two years ended FY2022. It stood at 0.47 times as on March 31, 2022 against 0.61 times as on March 31, 2021. The improvement in the gearing is on account of reduction in debt portion. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 9.84 times and 2.81 times as on March 31, 2022 respectively as against 7.44 times and 2.06 times as on March 31, 2021 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.05 times and 1.33 times as on March 31, 2022 and 2021 respectively. The debt to EBITDA of the firm stood at 1.60 times as on March 31, 2022 as against 2.06 times as on 31st March, 2021. Acuité believes that the financial risk profile of the company will remain moderate over the near to medium term.

## **Weaknesses**

- **Working capital intensive operations**

PD's operations are working capital intensive operations marked by gross current assets (GCA) days at 112 days as on March 31, 2022 as against 182 days as on March 31, 2021. The improvement in GCA days is on account of improvement in debtors days and inventory days. Inventory days stood at 10 days as on March 31, 2022 as against 20 days as on March 31, 2021. Subsequently, the payable period stood at 175 days as on March 31, 2022 as against 245 days as on March 31, 2021 respectively. The debtor day stood at 64 days as on March 31, 2022 as against 131 days as on March 31, 2021. Further, the average bank limit utilization in the last seven months ended October, 2022 remained at 90 percent for fund based limits. Acuité 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.

## **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

## **Liquidity Position: Adequate**

The firm has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.7.07 Cr in FY2022 as against the repayment of Rs.2.00 Cr for the same period. Unencumbered cash and bank balances stood at Rs. 0.02 Cr as on March 31, 2022. The current ratio of the company stood at 0.83 times as on March 31, 2022. Further, the average bank limit utilization in the last seven months ended October, 2022 remained at 90 percent for fund based limits. Acuité believes that PD's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

### Outlook: Stable

Acuité 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.40	48.58
PAT	Rs. Cr.	4.13	3.66
PAT Margin	(%)	7.07	7.53
Total Debt/Tangible Net Worth	Times	0.47	0.61
PBDIT/Interest	Times	9.84	7.44

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	4.00	ACUITE BB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	6.30	ACUITE BB-   Stable (Reaffirmed)

13 Sep 2021	Term Loan	Long Term	4.30	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.20	ACUITE BB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Reaffirmed)
09 Jun 2020	Term Loan	Long Term	3.20	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	6.30	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.30	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
03 May 2019	Term Loan	Long Term	3.20	ACUITE BB   Stable (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4+ (Assigned)
	Term Loan	Long Term	4.30	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BB   Stable (Assigned)
	Proposed Bank Facility	Long Term	6.30	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.20	ACUITE A4   Reaffirmed
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.30	ACUITE BB-   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Sep 1 2017 12:00AM	11	Sep 30 2020 12:00AM	Simple	4.30	ACUITE BB-   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Sep 1 2017 12:00AM	11	May 31 2023 12:00AM	Simple	3.20	ACUITE BB-   Stable   Reaffirmed

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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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