

Press Release
Parvathi Dyeing
March 04, 2024
Rating Upgraded



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

Rating Rationale

Acuite has upgraded the long term-rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four Plus**) from '**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 upgrade :

The rating upgradation considers PD's improvement in EBITDA margins during FY2023 and financial risk profile. The firm EBITDA margin has improved to 16.36 percent in FY2023 from 13.16 percent in FY2022 and reported revenue of Rs.53.44 Cr. as on March 31, 2023 as against Rs.58.40 Cr. as on March 31, 2022. The rating is also supported by PD's improvement in financial risk profile with comfortable debt protection metrics and low gearing. The overall gearing of the firm stood at 0.20 times as on March 31, 2023 as against 0.47 times as on March 31, 2022. The interest coverage ratio stood at 13.46 times in FY2023 as against 9.84 times in FY2022. The DSCR improved to 5.02 times in FY2023 from 1.76 times in FY2022. Further, the rating continues to derive strength from the long track record of operations and experience of the partners in the industry.

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 Company

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, Bhuvaneshwari Tex and BTex International. Bhuvaneshwari Tex and BTex International, both are engaged in export of RMG.

Unsupported Rating

Not applicable

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. Acuité believes that the promoter's extensive industry experience and established relation with its customers and suppliers will aid PD's business risk profile over the medium term.

- **Consistent operational performance and growing operating margins**

The scale of operations of the firm has been stable over the period. The revenues stood at Rs53.44 Cr in FY2023, Rs.58.40 Cr in FY2022. Profitability margin has seen an increased trend i.e. EBITDA margin from 13.16 percent in FY2022 to 16.36 percent in FY2023. The improvement in the EBITDA margins is on account of decrease in raw material cost. Net Profit margin stood at 7.26 percent in FY2023 and 7.07 percent in FY2022. Acuite believes that going forward; the margins would remain in the range of 16.5-17 percent and revenue's stable trajectory is likely to continue.

- **Comfortable financial risk profile metrics**

The firm's financial risk profile is comfortable, marked by a moderate net worth, low gearing, and healthy debt protection metrics. The net worth of the firm stood at Rs.36.02 Cr and Rs.26.98 Cr as on March 31, 2023 and 2022 respectively. The gearing of the firm is improving since last two years ended FY2023. It stood at 0.20 times as on March 31, 2023 against 0.47 times as on March 31, 2022. The improvement in the gearing is on account of reduction in debt portion and increase in net worth. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 13.46 times and 5.02 times as on March 31, 2023 respectively as against 9.84 times and 1.76 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 0.60 times and 1.05 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the firm stood at 0.82 times as on March 31, 2023 as against 1.60 times as on 31st March, 2022. Acuité believes that the financial risk profile of the firm will remain comfortable 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 105 days as on March 31, 2023 as against 112 days as on March 31, 2022. Inventory days stood at 13 days as on March 31, 2023 as against 10 days as on March 31, 2022. Subsequently, the payable period stood at 208 days as on March 31, 2023 as against 175 days as on March 31, 2022 respectively. The debtor day stood at 61 days as on March 31, 2023 as against 64 days as on March 31, 2022. Further, the average bank limit utilization in the last seven months ended Jan, 2024 remained at 87 percent for fund based limits.

- **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.

Liquidity Position: Adequate

The firm has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.8.30 Cr in FY2023 as against the repayment of Rs.1.12 Cr for the same period. PD is expected to generate NCA in range of Rs.8.94-10.04 Cr against modest maturing debt obligations in range of Rs.0.99 Cr over the medium term. Unencumbered cash and bank balances stood at Rs. 0.02 Cr as on March 31, 2023. Further, the average bank limit utilization in the last seven months ended January, 2024 remained at 87 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	53.44	58.40
PAT	Rs. Cr.	3.88	4.13
PAT Margin	(%)	7.26	7.07
Total Debt/Tangible Net Worth	Times	0.20	0.47
PBDIT/Interest	Times	13.46	9.84

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

Not applicable

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

In order to inform the investors about complexity of instruments, Acuite 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2022	Cash Credit	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	4.30	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	3.20	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.30	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.20	ACUITE A4 (Reaffirmed)
13 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	0.20	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.30	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	3.20	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	4.30	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.20	ACUITE A4+ Upgraded (from ACUITE A4)
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB Stable Upgraded (from ACUITE BB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.94	ACUITE BB Stable Upgraded (from ACUITE BB-)
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Aug 2024	Simple	0.54	ACUITE BB Stable Upgraded (from ACUITE BB-)
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2024	Simple	0.32	ACUITE BB Stable Upgraded (from ACUITE BB-)

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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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