

Press Release

Puma Hosiery Mill

May 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.45 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.45 crore bank facilities of PUMA HOSIERY MILL (PHM). The outlook is '**Stable**'.

Tirupur based, PHM is a partnership firm established in 2010 by Mrs. P Sudha, Mrs. R Latha and Mr. S Jothimanikandan. It is engaged in manufacture of readymade hosiery garments (Male, Female and kidswear) which includes T-shirts, Shirts and Sweats Pants. It is a 3 star export house (recognised by Government of India) and ISO 9001 certified. The promoters have over 3 decades of experience in the garment business and have been exporting to most of the European countries over the past two and half decade through its group company- Tirupur Pandit Hosiery Mills Pvt. Ltd.

Analytical Approach

Acuite has considered standalone financials for PHM to arrive at this rating.

Key Rating Drivers

Strengths

- **Established presence in the textile industry and experienced management**

PHM, established in 2010, by Mrs. P Sudha Mrs. R Latha and Mr. S Jothimanikandan is engaged in manufacturing of readymade garments. It has established market presence in the industry for over three decades through its group company Tirupur Pandit Hosiery Mills Pvt. Ltd. The firm has established healthy relationships with customers and suppliers. It derives 70 percent of income from export market. Acuite believes that PHM will sustain the existing business profile on the back of established market presence in the textile industry and healthy relationships over the near to medium term.

Weaknesses

- **Below average financial risk profile**

PHM has below average financial risk profile marked by tangible net worth of Rs.2.89 crore as on 31 March, 2018 which declined from Rs.2.95 crore as on 31 March, 2017. The gearing stood at 2.46 times as on 31 March, 2018 as against 2.38 times as on 31 March, 2017. The debt of Rs.7.11 crore mainly consists of term loan of Rs.1.68 crore and working capital borrowing of Rs.5.43 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.72 times for FY 2018 as against 1.77 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.72 times for FY 2018 as against 1.77 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.86 times as on 31 March, 2018 as against 2.85 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2018. Going forward, Acuite expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

- **Working capital intensive operations**

PHM's operations are working capital intensive marked by high Gross Current Asset (GCA) of 157 days in FY2018 compared to 149 days in FY2017. The GCA days are mainly dominated by high debtor days of 97 days in FY2018 and 95 days in FY2016. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

• Decline in revenues

The revenues of PHM declined to Rs.14.75 crore in FY2018 from Rs.20.30 crore in FY2017. The decline was mainly due to decrease of orders from customers. Acuite believes that PHM's ability to diversify its customer base in order to strengthen its revenue profile to sustain the competitive pressure from local and international players will remain a key rating sensitivity.

Liquidity Position:

PHM has below average liquidity profile marked by modest net cash accruals of about Rs.1.60 crore during FY2016-18. The firm has long term debt obligations of Rs. 0.44 crore in FY2018. The cash accruals are estimated to remain between Rs.0.50 - 1.20 crore in the near to medium term, while its repayment obligations are estimated to be ~Rs.0.40 crore in the medium term, as the firm is not expected to undertake debt funded capital expenditure in the short term.

The firm's working capital operations are high as marked by Gross Current Asset (GCA) days of 157 in FY2018. The firm had unencumbered cash and bank balances of Rs.0.17 crore as on March 31, 2018. The current ratio of the firm stood declined to 0.90 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain stretched over the medium term on account of modest cash flows from operations and high GCA days over the medium term.

Outlook: Stable

Acuite believes that PHM will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.75	20.30	16.66
EBITDA	Rs. Cr.	1.31	1.24	1.29
PAT	Rs. Cr.	0.36	0.16	0.10
EBITDA Margin	(%)	8.87	6.13	7.75
PAT Margin	(%)	2.44	0.80	0.58
ROCE	(%)	12.08	10.03	22.78
Total Debt/Tangible Net Worth	Times	2.46	2.38	2.31
PBDIT/Interest	Times	1.72	1.77	1.41
Total Debt/PBDIT	Times	4.88	5.05	4.79
Gross Current Assets (Days)	Days	157	149	162

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.37	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.06	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE B / Stable

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About Acuité Ratings & Research:

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