



**Press Release**  
**Pongalur Pioneer Textiles Private Limited**  
**August 10, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.49	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	27.51	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	78.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of **ACUITE A3+** (read as **ACUITE A 'three ' plus'**) on the Rs.78.00 Cr bank facilities of Pongalur Pioneer Textiles Private Limited (PPTPL). The outlook is '**stable**'.

The rating takes into account the improved operating performance and moderate financial profile of PPTPL. PPTPL has undertaken capital expenditure towards increasing its production capacity by adding 25,536 spindles, modernization of existing spindles and solar power generation plant. The capex was incurred over two years and is completed in FY23. The operating income of PPTPL has been consistently growing since the last two years from FY2021. The Company's revenue stood at Rs.192.84 Cr in FY2022 as against Rs. 110.01 Cr in FY2021. It is estimated to generate Rs. 221.02 Cr in FY2023. The operating margins ranged between 13.27-14.23 percent for the last three years ended FY2022. The financial risk profile of PPTPL continues to be moderate with moderate debt protection metrics and moderate gearing. The overall gearing of the Company stood at 0.66 times as on March 31, 2022 as against 0.26 times as on March 31, 2021. It is estimated to be 1.02 times as on March 31, 2023. The interest coverage ratio stood at 4.95 times in FY2022 as against 3.38 times in FY2021, it is estimated to be 2.52 times in FY2023.

The rating continues to derive strength from the promoters' extensive industry experience, established track record and integrated nature of operations and improvement in operating performance of the Company marked by higher operating income and range bound operating margins. The rating albeit is constrained by intensive working capital cycle and its susceptibility to volatility in raw material prices.

**About the Company**

Incorporated in 1990, Pongalur Pioneer Textiles Pvt. Ltd. (PPPTL), is promoted by Mr. Selvapathy Venkataswamynaidu. Located in Pongalur, Tamilnadu, the company is engaged in manufacture of combed warp cotton yarn in fine counts (60's to 120's). PPTL commenced operations in 1992 with a spindleage of 3000 spindles. The company currently has an installed capacity of 1,41,5521, spindles operating at ~96 percent capacity. PPTPL has a windmill with installed capacity of 1.675 megawatt (MW) in Tamil Nadu which supports about 10 per cent of its power requirement.

**Analytical Approach**

For arriving at the ratings, Acuite has considered the standalone business and financial risk profile of PPTPL

## Key Rating Drivers

### Strengths

- **Promoter's extensive industry experience and established track record of the company**

PPTPL is a family-owned business with existence of more than 3 decades in the cotton spinning industry. The company was established with spinning capacity of 3,000 spindles in 1990 by Mr. Selvapathy Venkataswamynaidu, Managing Director, having an industry experience of 30 years. The day-to-day operations are managed by the promoter and his son - Mr. Aravind Selvapathy. With long track record of operations in Pongalur, Tamil Nadu; PPTPL is one of the largest cotton yarn manufacturer with total spinning capacity of 1,41,552 spindles along with 1.675 MW windmill for captive consumption. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers for over 3 decades. With promoter's extensive industry experience and established existence, PPTPL has been able to establish long-standing relationship with its suppliers and customers. The key customers of the company includes names like JV Enterprises, Kamla Mills India, amongst others. On the back of the stable demand and repeated orders from its key customers, the company's revenue have reached Rs.192.84 Cr in FY2022. Acuité believes that the promoter's extensive industry experience and established relation with its customers and suppliers will aid PPTPL's business risk profile over the medium term.

- **Improving operating performance**

PPTPL's revenues have recorded an increasing trend since the last 2 years, it recorded a compounded annual growth rate of 35 percent as the operating income which stood at Rs. 110.01 Cr in FY2021 is estimated to increase to Rs.221.02 Cr FY 2023. The increase in the revenue is on account of addition of spindles and modernization of existing spindles. Its operating margin was in the range of 13.27 percent to 14.23 percent over the past two fiscal years ended in FY2022 and it is estimated to be around 11 percent in FY2023. Acuité believes that improvement of revenues and profitability are the key rating sensitivity factors in improving its business and financial risk profile over the medium term.

- **Moderate financial risk profile:**

PPTPL has an moderate financial risk profile marked by moderate capital structure and moderate debt protection metrics. The tangible net worth stood at Rs. 106.33 Cr as on March 31, 2022 as against Rs. 84.92 Cr as on March 31, 2021. The gearing of the company stood at 0.66 times as on March 31, 2022 against 0.26 times as on previous year. It is estimated to be 1.02 times as on March 31, 2023. Further, the interest coverage ratio stood at 4.95 times as on March 31, 2022 as against 3.83 times as on March 31, 2021. DSCR stood at 4.49 times as on March 31, 2022 as against 2.06 times as on March 31, 2021. Further it is estimated that DSCR will be 1.65 times and interest coverage ratio estimated to be 2.52 times. The debt to EBITDA of the company stood at 2.64 times as on March 31, 2022 as against 1.38 times as on March 31, 2021. Further debt to EBITDA is estimated to be 4.55 times. However, the TOL/TNW stood to 1.31 times as on March 31, 2022 as against 0.61 times as on March 31, 2021. Acuité believes that improvement of revenues and profitability are the key rating sensitivity factors in improving its business and financial risk profile over the medium term.

### Weaknesses

- **Working capital Cycle marked by moderate GCA days**

The operations of the company is moderately working capital intensive marked by

moderate Gross Current Asset (GCA) days of 107 days as on March 31, 2022 as against 125 days as on March 31, 2021, it is estimated to be around ~115 GCA days as on March 31, 2023. The GCA days are marked by high inventory days yet low debtor days. Inventory days stood at 67 days as on March 31, 2022 as against 76 days as on March 31, 2021, it is estimated to be around 67 days as on March 31, 2023. The debtor day stood at 12 days as on March 31, 2022 as against 11 days as on March 31, 2021, it is estimated to be around 11 days as on March 31, 2023. Subsequently, the payable period stood at 184 days as on March 31, 2022 as against 128 days as on March 31, 2021 it is estimated to be around 78 days as on March 31, 2023 respectively. Further, the average bank limit utilization in the last twelve months ended May, 23 remained at ~77 percent for fund based and 89 percent for non-fund based.

- **Susceptibility to fluctuation in raw material prices**

The main raw material purchased by the company is cotton. Hence, the margins are susceptible to changes in cotton prices. Cotton being an agricultural commodity, the availability and price of the same is highly dependent on agro-climatic conditions. Despite the prevalence of Minimum Support Price (MSP), the purchase price depends on the prevailing demand-supply situation which limits bargaining power with the suppliers as well. PPTPL is engaged in manufacture of fine counts, which provides some cushion from raw material price fluctuations. Acuité believes that PPTPL should be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs, on the back of its established position in the market.

### **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Any further deterioration in working capital management

### **Material covenants**

None

### **Liquidity Position Adequate**

The liquidity profile of PPTPL is adequate marked by its adequate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs.18.20 Cr. during FY2022, while its maturing debt obligations Rs.3.56 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.14-17 Cr during FY2023-25 while their repayment obligations are estimated to be around Rs.4.67-11.57 Cr during the same period. The Company has maintained unencumbered cash and bank balances stood at Rs.0.11 Cr as on March 31, 2022. The current ratio of the company stood at 1.36 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of working capital intensive nature of operation.

### **Outlook: Stable**

Acuité believes that PPTPL will continue to benefit over the medium term due to its experienced management and established relation with its suppliers and customers. The outlook may be revised to 'Positive', in case of continued traction in revenues and sustainable profitability while maintaining the capital structure.. Conversely, the outlook may be revised to 'Negative' in case PPTPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	192.84	110.01
PAT	Rs. Cr.	9.50	4.39
PAT Margin	(%)	4.93	3.99
Total Debt/Tangible Net Worth	Times	0.66	0.26
PBDIT/Interest	Times	4.95	3.83

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

India Ratings vide its press release dated July 24, 2023 had denoted the rating of Pongalur Pioneer Textile Private Limited as "ISSUER NOT CO OPERATING" on account of lack of adequate information required for monitoring of ratings.

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 May 2022	Term Loan	Long Term	1.53	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.79	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	1.26	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.74	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.31	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.57	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	9.58	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	1.71	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	0.63	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	0.11	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.22	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	0.06	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.09	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	5.75	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	14.70	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.86	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.58	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	0.51	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	2.10	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.86	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.11	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.04	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	0.70	ACUITE BBB-   Stable (Reaffirmed)
		Long		

01 Feb 2021	Term Loan	Term	0.13	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.06	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2.24	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.51	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.69	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.31	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.75	ACUITE BBB-   Stable (Reaffirmed)
13 Jan 2020	Term Loan	Long Term	0.15	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	5.75	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	0.22	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	1.04	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2.99	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2.48	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.75	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	0.78	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.86	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.48	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A3 (Assigned)
	Letter of Credit	Long Term	20.00	ACUITE BBB-   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	0.51	ACUITE A3+   Reaffirmed
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.75	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+   Reaffirmed
Karur Vysya Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.86	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.76	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.71	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.79	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.58	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.22	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.09	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.11	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.74	ACUITE BBB   Stable

								Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.57	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.26	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.63	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.53	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.31	ACUITE BBB   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.58	ACUITE BBB   Stable   Reaffirmed



## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

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