

## Press Release

Pan Tex Nonwoven Private Limited

September 16, 2021



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 65.56 crore*
<b>Long Term Rating</b>	ACUITE BBB-/Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 65.56 crore bank facilities of Pan Tex Nonwoven Private Limited (PTNWPL). The outlook is '**Stable**'.

#### Rationale for rating assignment

The rating assigned reflects established group presence and experienced promoters. The rating also factors in the comfort derived from expected support from group companies and promoters in the form of unsecured loans and capital infusion.

#### About the Company

Incorporated in September 2020, Gujarat based PTNWPL proposed to pursue manufacturing and trading of non-woven fabric. The plant would have an installed capacity 12,500 MT p.a. and commercial production is expected to start by April 2022.

Pan Health Group is having manufacturing facilities in Pan Healthcare Private Limited of manufacturing 4385 lacs baby diaper pants/p.a., 605 lacs adult diaper/p.a. and 2071 lacs sanitary napkin/p.a. Company is working at 100% capacity utilization since July 2020. Further, Pan Group has proposed to manufacture 4500 lacs baby diaper pants/p.a. and 800 lacs open type adult diapers and will start its manufacturing facilities from September 2021 to March 2022 in phased manner. Hence, majority of the production would be consumed within the group companies.

#### Analytical Approach

Acuite has considered the standalone view of business and financial risk profiles of PTNWPL to arrive at this rating and subsequently factored in the benefits derived on account of financial support from Pan Group. The rating has been notched up on account of group support.

### Key Rating Drivers

#### Strengths

##### • Experienced management and established group presence

Pan group is promoted by Mr. Mansukhbhai Pan along with his family who have an experience of more than three decades in the aforementioned industry. With extensive experience, active participation and their in-depth understanding of the industry has helped the group in developing long-term relationships with its customers and suppliers. Promoters have experience of more than three decades in various businesses across various sectors such as cement, laminate manufacturing, agriculture equipment, agro-commodities trading and health sector.

Acuite believes that PTNWPL will continue to benefit from the extensive experience of the promoters in the varied line of business.

#### • Funding support from promoters and group entities

The company is proposed to receive funding from promoters and group companies by way of share capital and unsecured loans to the extent of Rs. 34.84 Cr. These funds are expected to be in the business till the currency of the loan. Acuite believes that the funding support will be crucial for the company for timely servicing of debt obligations and maintain its credit risk profile.

#### Weaknesses

##### • Project risk

The group in order to backward integrate its operations has formed a new company by the name of PTNWPL which would require a capital investment of Rs. 80.40 crore. The group entities i.e. PHPL and PHHPL would source raw material from that entity which would cover majority of its capacity, thereby ensuring visibility of demand. Funding risk however, remains low as the group has sufficient cash accruals and promoters have planned healthy infusion of funds. Timely completion of project would remain a key rating sensitivity.

#### Rating Sensitivity

- Timely completion of project
- Insufficient cash accruals leading to increase in borrowings and weakening of capital structure

#### Material Covenants

None

#### Liquidity:

Not Applicable

#### Outlook: Stable

Acuite believes that PTNWPL will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and long-standing relationships with its customers. The outlook may be revised to 'Positive' in case the company registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

#### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	-	-
PAT	Rs. Cr.	-	-
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	-	-
PBDIT/Interest	Times	-	-

#### Status of non-cooperation with other CRA

None

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Parent and Group Support - <https://www.acuite.in/view-rating-criteria-47.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to previous three years)

Not applicable

#### \*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
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/ Stable (Assigned)
HDFC Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	45.56	ACUITE A3 (Assigned)
HDFC Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)

#### Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel:022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Charu Mahajan Senior Rating Analyst - Rating Operations Tel: 011-49731313 <a href="mailto:charu.mahajan@acuite.in">charu.mahajan@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

#### About Acuite Ratings & Research:

Acuite Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,383 credit 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 Mumbai.

**Disclaimer:** An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite, Acuite's rating scale and its definitions.