

Press Release

Pan Tex Nonwoven Private Limited

September 16, 2021



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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.

Acuité 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. Acuité 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

Acuité 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)

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About Acuité Ratings & Research:

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