



Press Release

PVR Spinning and Weaving Limited

October 1, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	35.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
2	Short Term Bank Facilities	1.00	IVR A4+ (IVR A Four Plus)	Assigned
	Total	36.00 (Rupee Thirty six crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of PVR Spinning and Weaving Limited (PSWL) derives strength from extensive experience of its promoter in textile industry and established clientele. The ratings also note PSWL's moderate financial risk profile. However, these rating strengths remain constrained due to its small scale of operations, working capital intensive nature of operations and susceptibility of its profitability to volatility in raw material prices. The ratings also consider intense competition and subdued cotton industry scenario.

Key Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors:

- Decline in operating income and/or profitability impacting the debt coverage indicators,



Press Release

- Withdrawal of subordinated unsecured loan and/or deterioration in the capital structure and debt protection metrics
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoter in textile industry**

PSWL's operations are managed by Mr. P P Raj and his family, having an experience of around 15 years in the textile industry. Long presence in the industry has helped the company in establishing comfortable relationship with its suppliers and customers

- **Established clientele**

Long presence of the promoter in the textile industry has helped the company in developing longstanding relationship with various intermediaries in the value chain.

- **Moderate financial risk profile**

The financial risk profile of the company remained moderate with a long term debt equity and overall gearing ratio of 0.52x and 1.51x respectively as on March 31,2020 (Provisional). The unsecured loans from promoters/related parties of Rs.11.30 crore will remain in the company till currency of the bank loan (undertaking received from the company) and the same has been considered as quasi-equity. Interest coverage ratio stood at 1.41x in FY20. The total indebtedness of the company as reflected by the TOL/ATNW remained comfortable at 1.63x as on March 31, 2020 (provisional).

Key Rating Weakness:

- **Small scale of operations**

Total operating income (TOI) of the company remained small and has shown an erratic movement during the last three financial years due to volatility in execution of orders and stood at ~Rs.79 crore in FY20 (Provisional.). Total operating income decreased from Rs.87.39 crore in FY19 owing to decline in sales volume and realisation of cotton yarn. With moderation in the scale of operation coupled with lower average realization/kg of cotton yarn affected profitability during FY20 and the EBITDA margin of the company declined by 420 bps from 11.52% in FY19 to 7.33% in FY20. Moreover, company incurred net loss of Rs. 4.38 crore in FY20 (Provisional) against net profit of Rs. 0.54 crore in FY19 though there



Press Release

was no cash loss and the company has earned gross cash accruals of Rs.1.70 crore. Infomerics expects that the scale of operations of the company will continue to remain small in the near term.

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years, and with high cotton inventory stocking, its profitability remains susceptible to any adverse movement in cotton prices.

- **Intense competition**

The spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the company's pricing flexibility and bargaining power.

- **Subdued cotton industry scenario**

The domestic cotton spinning industry is highly dependent on exports, particularly to China, with ~30% of the yarn produced in India being exported. The outbreak of the coronavirus in China fueled the pressure on domestic and export yarn realisations and triggered moderation in realisations in recent times. Prolonged subdued industry scenario may impact the profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. Besides, working capital limits average utilisation also remained moderate at ~ 82% in the past twelve months ended April 2020.



Press Release

About the Company

Incorporated in November 2005, PVR Spinning and Weaving Limited is engaged in the manufacturing of cotton yarn with an installed capacity of 30240 spindles. Its manufacturing unit is located at Kondayapalem Road, Tetali Village, Andhra Pradesh. The company is promoted by Mr P P Raj and his family. The promoters are well experienced in textile business.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	87.39	79.05
EBITDA	10.07	5.79
PAT	0.54	-4.38
Total Debt	47.84	44.40
Adjusted Net worth	33.69	29.31
EBITDA Margin (%)	11.52	7.33
PAT Margin (%)	0.62	-5.53
Overall Gearing Ratio (x)	1.42	1.51

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CRISIL has moved the rating of PVR Spinning and Weaving Limited into the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated September 25, 2020.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	1.43	IVR BB+/ Stable	-	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Cash Credit	Long Term	23.00	IVR BB+/Stable	-	-	-
3.	Overdraft	Long Term	8.00	IVR BB+/Stable	-	-	-
4.	Proposed OD	Long Term	2.57	IVR BB+/Stable	-	-	-
5.	Bank Guarantee	Short Term	1.00	IVR A4+			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ashish Agarwal Tel: (033) 46022266 Email: aagarwal@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Long Term Bank Facilities - Term Loan	-	-	March 2021	1.43	IVR BB+/ Stable
Long Term Bank Facilities- Cash Credit	-	-	-	23.00	IVR BB+/ Stable
Long Term Bank Facilities- Overdraft	-	-	-	8.00	IVR BB+/ Stable
Long Term Bank Facilities - Proposed OD	-	-	-	2.57	IVR BB+/ Stable
Short Term Bank Facilities- Bank Guarantee	-	-	-	1.00	IVR A4+
Total				36.00	