Press Release

Platinum Textiles Limited

October 08, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term Bank Facilities	412.34	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities (Sub-Limit of Long Term Facilities)	(103.50)	IVR A4+ (IVR A Four Plus)	Assigned
Total	**412.34**		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the long term& short term facilities of Platinum Textiles Limited (PTL) derives comfort from its experienced promoters and its established relationship with its customers and suppliers. The ratings also factor its various advantages to the company in terms of fiscal incentives offered by Government and proximity to raw materials. However, these strengths are partially offset by a moderate financial risk profile, susceptibility of profitability to raw material price volatility, regulatory & agro-climatic risks and adverse impact of Covid-19 pandemic on textile sector.

Key Rating Sensitivities

Upward Factor

- ✓ Substantial & sustained improvement in the company's revenue and profitability along with improvement in the debt protection indicators.

Downward Factor

- ✓ Any decline in scale of operations, and/or liquidity profile of the company

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters with an established track record of group in the Industry:

Mr. Chirag Pittie is currently leading the SVP group. He has over a decade of experience in the sector and is involved in the day to day management of business. He mainly focuses on business strategy formation and implementation for the company. The promoters are supported by the team of technical & qualified professionals. The SVP group has a long track record in the sector through other entities of the group involved in the similar activity.

Advantages in terms of fiscal incentives offered by Government:

The project was set-up in the backward location, the company receives interest subsidy from the State Government - Rajasthan to the extent of 9% for its term debt for a period of 5 years i.e. till FY2022. It results in to off-set of higher capital cost in the form of fiscal incentives provided by the State Government. Moreover, the company receives100% electricity duty rebate, reimbursement of expenses incurred for training of labour and another benefits such as VAT/GST Rebate etc.

Proximity to Raw Materials:

The major raw material consumed is cotton and polyester staple fibres. The manufacturing facility of the Company is situated at the close proximity of major cotton growing area of Rajasthan, Madhya Pradesh and Tamil Nadu, which provides easy access to raw material and thus leads to logistical efficiency. These states are known for its high quality cotton fibre production and availability.

Key Rating Weaknesses

Modest financial risk profile:

PTL's financial risk profile is constrained by the sizeable investments extended to the group companies in the textile business. PTL's adjusted gearing stands at 3.11 times as on March 31, 2020 while TOL/ANW and interest coverage ratios stood at 3.44 times and 0.60 times, respectively, in fiscal 2020. However, the company also generates stable non-operating income from subsidy from state government, which provides some stability to its cash flows.

Higher utilization of working capital debt and losses occurred in fiscal 2020 results in moderation in credit metrics in the fiscal 2020. Albeit, better cash generation, progressive debt repayment on existing debt, no new debt availment plan and better working capital management, will result in credit metrics gradually improving from fiscal 2021 onwards.

Susceptibility of profitability to raw material price volatility:

Textiles industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The prices of polyester staple fibres and cotton yarn are highly volatile in nature. The prices of cotton are highly dependent on agro-climatic conditions. Besides, cotton prices are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which limits bargaining power with suppliers as well. Any adverse change in the raw material prices will directly impact the profitability margins of the company. The company does not have any long-term contracts with suppliers with regards to either quantity or price, however, PTL has several years of relationships. The industry is fragmented and there is significant competition among the players in the industry, as a result their bargaining power is moderate. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs.

Regulatory and agro-climatic risks:

The Company has high exposure to agro-climatic risks given that availability and pricing of cotton are seasonal with cotton season from mid-September to March every year. Prices are usually lower during the season and quality cotton is available only during the peak season, resulting in high inventory to be stocked for use in the non-peak season. Drought conditions in the major growing states of Maharashtra, Telangana, Gujarat and Andhra Pradesh in past, resulted in lower output and quality of crop. The Company is exposed to regulatory risks with respect to the minimum support price (MSP) for raw cotton, which is decided by the government every year and prices remain volatile based on demand and supply, which mainly depends on China's procurement every year.

Adverse impact of Covid-19 pandemic on textile sector:

The closure of retail stores and malls on account of lockdown situation across the nation will affect textile industry's sales. On the international front, spread of Covid-19 in top export destinations such as Europe and US (together accounting for about 60% of the total apparel exports) has resulted in closure of retail stores and malls there. Even after the lockdown is lifted, gradual and delayed recovery is likely in consumer demand given the relatively discretionary nature of the apparel products in the backdrop of likely economic slowdown. There may be a cascading impact on demand of other textile products including cotton yarn and fabric. Moreover, Indian textile industry is already witnessing an over-supply situation which would be further impacted by slowdown in demand due to Coivd-19 pandemic. Further, the labour intensive nature of operations of the textile sector could impact its profitability due to sub optimal capacity utilization in near term for ensuring adherence to norms of social distancing. The strength of the recovery will be contingent on the duration and extent of the Covid-19 pandemic, where a prolonged downturn in apparel demand will constrain revenues and earnings of the sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Stretched

The liquidity of PTL remains stretched marked by weak cash accruals as against its debt/interest payment obligations. Furthermore, the average utilisation of its fund-based working capital limits remained high at above 90%. Moreover, operating cycle remains elongated at above 380 days during FY20, due to higher inventory level and slow payment from domestic customers results into high receivable days as on March 31, 2020. However, PTL has started receiving regular payments from its customers subsequently.

PTL has also opted for moratorium on interest and principal repayment for all its outstanding term loans and has also availed moratorium on interest payment on working capital limits as part of the Covid relief measures announced by the RBI. Moreover, PTL has availed Working Capital Demand Loan in Scheme of Covid 19 of Rs.6.81 crore from multiple Banks.

To conserve its liquidity, PTL has not planned to undertake any major capex over the next two years. Prudent deployment of short-term funds on a continuous basis would remain a key monitorable going forward.

About the Company

Platinum Textiles Limited (PTL) was incorporated in 1993 (Previously known as Neha Furnishing Private limited). It was acquired by Pittie group in 2007.PTL is engaged in manufacturing and trading of cotton, polyester, blended (polyester and cotton) yarn. The company has three manufacturing units (Consolidated into one now) for manufacturing blended yarn at Tamil Nadu and one new unit at Rajasthan for manufacturing combed compact cotton yarn. PTL has an installed capacity of 98,000 spindles at Tamil Nadu and 50,000 spindles at Rajasthan and count of yarn ranges from 20 to 100.

PTL is the step down subsidiary of SVP Global Ventures Limited.

Financials (Standalone Basis)

(Rs. crore)

For the year ended / As On	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	676.16	445.85
EBITDA	66.37	36.76
PAT	1.35	-16.01
Total Debt	549.08	525.65
Tangible Networth (Adjusted)	181.02	166.69
EBITDA Margin (%)	9.82	8.25
PAT Margin (%)	0.19	-3.40
Adjusted Overall Gearing Ratio (x)	3.00	3.11

Status of non-cooperation with previous CRA: ACUITE and BWR rating have classified the company under Issuer Not Cooperating in their press Release dated on December 27, 2019 and July 05, 2018respectively.

Any other information: N.A

Rating History for last three years:

S. 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.	Fund Based Bank Facilities	Long Term	412.34	IVR BB+/Stable Outlook	-	-	-
3.	Non-Fund Based Bank Facilities	Short Term	(103.50)*	IVR A4+	-	-	-

**Sub-Limit of Long term Debt.*

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.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facilities– Term Loan	-	-	Nov, 2024	120.53	IVR BB+/Stable Outlook
Long term Bank Facilities – Cash Credit	-	-	-	285.00	IVR BB+/Stable Outlook
Long term Bank Facilities – WCDL	-	-	-	6.81	IVR BB+/Stable Outlook
Short Term Bank Facilities	-	-	-	(103.50)	IVR A4+