

Shree Pashupati Fabric LLP

Brickwork Ratings downgrades the ratings for the existing bank loan facilities aggregating to ₹ 37.02 Crs of Shree Pashupati Fabric LLP (“SPFLLP” or “the Firm”).

Particulars:

Facility***	Amount (₹ Cr)		Tenure	Rating**	
	Previous	Present		Previous (March, 2019)^	Present
Fund based	41.15	33.52	Long Term	BWR BB+(CE)/Stable [Assigned]	BWR BB/Stable [Reassigned]
Non Fund based	3.50	3.50	Short Term	BWR A4+(CE) [Assigned]	BWR A4+ [Reassigned]
Total	44.65	37.02	INR Thirty Seven Crores and Two Lakhs Only		

^Rating was moved to the Not Reviewed Category in March, 2020.

**Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*** Details of Bank facilities are provided in Annexure-I.

Ratings: Reassigned on standalone basis

RATING ACTION / OUTLOOK

The suffix “CE” represents the credit enhancement given against the bank loan facility of SPFLLP in the form of a letter of comfort provided by Pashupati Cotspin Limited (PCL) to lenders regarding the timely servicing of all the loans. However, the letter of comfort from PCL is not operative as per the sanction letter provided by the lender. Therefore, BWR has now revised the rating approach of SPFLLP and assigned the rating on a standalone level.



SPFLLP's standalone business and credit profile continues to factor the extensive experience of the promoters and established presence of the Pashupati group in the textile industry. The rating also factors into the strategic location of the manufacturing unit providing easy access to source of raw material and customers.

However, the rating is constrained on account of the limited track record of operation, moderate financial risk profile, exposure of the profitability to volatility in price of raw material and presence in highly competitive and fragmented textile industry. The rating also considers the exposure to capital withdrawal risk due to partnership constitution

Outlook: Stable

The outlook continues to remain "Stable" over the near to medium term owing to the firm's experienced promoters, strategic location of the manufacturing unit and funding support by promoters.

KEY RATING DRIVERS

Credit Strengths:

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

The firm is part of the Pashupati group which has been operating in the textile industry for more than two decades. The firm is promoted by Mr. Saurin Parikh and his family since inception. The day to day operations are handled by Mr. Saurin Parikh and Mr. Dakshesh Patel who collectively possesses more than two decades of experience in the textile industry. Further, he is supported by a team of well qualified and experienced professionals as the second line of management. The vast experience of the promoters have helped the Company to establish and maintain relations with its customers and suppliers.

- **Strategic Location of the manufacturing unit**

The firm benefits from low transportation cost and easy access to quality raw material i.e. cotton yarn as the manufacturing unit is located at Kadi, Gujarat where many spinning units are located. The firm sells its grey fabric to local traders located mainly in Kadi, Gujarat; thus providing easy access to customers as well.

Credit Risks:

- **Limited track record of operation**

The firm commenced its commercial operations in November 2017; hence the firm has a limited track record of operations in this line of business.

- **Moderate financial risk profile**

The firm has reported a moderate financial risk profile marked by weak debt coverage indicators. The interest coverage ratio stood at 1.51 times for FY2020(provisional) as against 1.21 times in the previous year. The debt service coverage ratio stood at 1.00 times for FY2020(provisional) as against 0.93 times. However, the firm has reported improvement in its tangible net worth as same stood at Rs. 16.18 crores as on 31.03.2020(provisional) as against Rs. 12.49 crores in the previous year. Further, the debt to equity ratio stood at 2.26 times as on 31.03.2020(provisional) as against 3.60 times in the previous year. Also, the promoters have a track record of infusing funds in the form of unsecured loans or capital to support any additional working capital requirements.

- **Susceptibility of the operating margin to fluctuations in raw material prices**

The raw material cost of the Company forms a major part of its revenue as it stood around 78% of the total operating income for FY2020(provisional). The main raw material used by the firm is cotton yarn. The availability of the raw material and its price is dependent on the agro climatic conditions as the same is an agricultural commodity. Hence, any adverse movement in the prices of the raw material can have a significant impact on the profitability of the firm which has limited bargaining power against the customer.

- **Exposed to intense competition in a fragmented textile industry**

The textile industry is highly fragmented with the presence of several organised and unorganised players with low product differentiation and high price sensitivity. This limits the pricing flexibility and bargaining power with customers, thereby putting pressure on its revenue and margins.

- **Exposed to risk associated with partnership constitution**

SPFLLP is exposed to the risk of capital withdrawal by the partners and dissolution of the firm in the event of death or insolvency of the partners.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has principally relied upon the audited financials up to FY19 and provisional financials for FY20, publicly available information and clarification/information provided by the Company.

RATING SENSITIVITIES

Positive:

- Significant improvement in the operating income and profitability resulting in the financial risk profile and liquidity profile of the company
- Significant reduction in external debt of the company.

Negative:

- Significant decline in operating income and profitability leading to deterioration in the debt coverage indicators and liquidity profile of the company.
- Majorly debt funded capex plan resulting in highly leveraged capital structure.

LIQUIDITY POSITION: ADEQUATE

The firm has reported net cash accruals of Rs. 4.96 crores against annual debt repayments during FY 2020 (provisional). Further, the company's average working capital limit utilisation stood at around 87.03 percent for the period from October, 2019 to September, 2020. Further, the repayment of around Rs. 10.23 crores is estimated to be due for the next twelve to fifteen months. The company's projected cash flows are adequate to cover its debt obligations for the next twelve to fifteen months. Also, the promoters are expected to infuse funds in the form of unsecured loans to cover any shortfall in the net cash accruals to meet the debt obligations.

FIRM PROFILE

Shree Pashupati Fabric LLP was initially formed as a partnership firm under the name of Pashupati Textile in January 2017. Subsequently, the constitution of the firm was converted to limited liability partnership firm under the present name in May, 2017. The commercial operations of the firm commenced from November 2017. The firm is part of the Gujarat based Pashupati group which has an established market presence in the textile industry for more than two decades. The firm is promoted by the Gujarat based Parikh and Patel family. The firm is engaged in sizing yarn and weaving cotton fabric. Hence, the products sold by the firm includes grey fabric, sizing yarn, yarn, grey and sizing waste.

The firm has set up a sizing unit with capacity of 2,100 metric tonne per annum for yarn beam and 60 lakh meter per annum for cotton and lycra fabric., in E-Shed looms. Moreover the unit has all types of dobby weaves up to 16 shaft-82 yrs with 4 colour insertion. The firm purchases cotton yarn from spinning mills located in Kadi, Gujarat and also group companies including Pashupati Cotspin Limited and Pashupati Cotyarn LLP. Further, the firm sells the finished products to traders located in Gujarat.

Further, the day to day operations of the firm are being handled by the partners i.e. Mr. Saurin J. Parikh, Mr. Dakshesh Patel, and Mr. Tushar R. Trivedi who possess more than two decades of experience in the textile industry.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY2018	FY2019
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	78.19	70.00
EBITDA	Rs. Crs	6.68	10.46
Profit After Tax	Rs. Crs	-0.36	2.33
Tangible Net worth	Rs. Crs	11.37	12.49
Total Debt/Tangible Net worth	Times	4.04	3.60
Current Ratio	Times	1.88	1.21

As per FY20 provisional financials, SPFLLP has reported an operating income of Rs. 82.12 Crores and profit after tax of Rs. 2.15 Crores. SPFLLP has reported tangible net worth of Rs. 16.18 Crores as against total debt of Rs. 36.49 Crores as on 31.03.2020 (provisional).

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :

CRISIL, vide its press release dated March 23, 2020 had denoted the rating of SPFLLP as ‘CRISIL B/ CRISIL A4; ISSUER NOT COOPERATING’.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	31 March 2019	2018	2017
Fund Based	Long Term	33.52	BWR BB/ Stable (Reassigned)	BWR BB+(CE)/ Stable (Assigned)	-	-
Non Fund Based	Short Term	3.50	BWR A4+ (Reassigned)	BWR A4+(CE) (Assigned)	-	-
Total		37.02	INR Thirty Seven Crores and Two lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Rating Criteria for Manufacturing Companies**

Analytical Contacts	
Shashikala Hegde Senior Rating Analyst Board: +91 22 2831 1426, +9122 2831 1439 Ext: 652 shashikala.h@brickworkratings.com	Vidya Shankar Principal Director – Ratings Board: +91 80 40409999 vidyashankar@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

Shree Pashupati Fabric LLP

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Cash Credit	11.15	-	11.15
2.	(Earlier Oriental Bank of Commerce)	Term Loan	22.37	-	22.37
3.		Bank Guarantee	-	3.50	3.50
TOTAL					37.02

Total Rupees Thirty Seven Crores and Two lakhs only.

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.



About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or



losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.