



## Palani Vijay Cottspin Private Limited

| Instruments               | Amount (Rs. Crore)                             | Rating Action    |
|---------------------------|--|------------------|
| Term loan facilities      | Rs.18.22 crore (enhanced from Rs. 13.72 crore) | [ICRA]D assigned |
| Fund based facilities     | Rs.13.50 crore (enhanced from Rs 7.00 crore)   | [ICRA]D assigned |
| Fund based facilities     | Rs.1.50 crore (enhanced from Rs 0.75 crore)    | [ICRA]D assigned |
| Non Fund Based facilities | Rs 1.50 crore                                  | Withdrawn        |

ICRA has assigned the long-term rating of [ICRA]D (pronounced ICRA D) to the Rs.18.22 crore term loan facilities (enhanced from Rs 13.72 crore) and the Rs.13.50 crore fund based facilities (enhanced from Rs 7.0 crore) of Palani Vijay Cottspin Private Limited ("PVCPL" / "The Company")<sup>†</sup>. ICRA has also assigned short term rating of [ICRA]D (pronounced ICRA D) to the Rs.1.5 crore (enhanced from Rs 0.75 crore) fund based facilities of PVCPL. ICRA has withdrawn the short term rating of [ICRA]D outstanding on the Rs. 1.50 crore non fund based facility of Palani Vijay Cottspin Private Limited as the facility has been closed. ICRA has short-term rating of [ICRA]D (pronounced ICRA D) outstanding on the Rs.2.33 crore non-fund based facilities of the Company.

The assigned ratings reflect the recent delays in the debt servicing by the company. The financial profile of the company has deteriorated in the current fiscal on account of the slowdown witnessed in the spinning industry. Low yarn demand coupled with moderation in yarn realizations resulted in losses from operations and had consequently stretched the liquidity position and leverage levels of the company. PVCPL had incurred significant debt funded capacity expansion till 2008-09, which coupled with modest accruals till 2009-10 had resulted in high gearing and moderate debt coverage metrics. Earnings of PVCPL are also exposed to the increased volatility in cotton prices, particularly on account of the limited pricing flexibility owing to the intense competition and relatively small scale of operations. The promoters of PVCPL have an experience of over a decade in the spinning industry and the company enjoys operational and management support from its group entities engaged in similar lines of business.

### Company Profile

Palani Vijay Cottspin Private Limited (PVCPL) was incorporated in 2005 and it started commercial production in 2008 with a capacity of 4000 spindles. In a phased manner, the company has expanded its capacity to current levels of 12,864 spindles. The company's product profile is skewed towards the coarser counts of carded and combed cotton yarn with average count being 10-20s.

### Recent Results

For the half-year ended September 2011, the Company has reported a loss before tax of Rs. 3.8 crore on an operating income of Rs. 27.6 crore

**January 2012**

\* 100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA Rating Publications.



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