



## Press Release

### AB Cotspin India Limited

**August 04, 2025**

#### Ratings

| Instrument / Facility      | Amount (Rs. crore) | Current Ratings   | Previous Ratings  | Rating Action   | Complexity Indicator   |
|----------------------------|--------------------|---|---|---|------------------------|
| Long Term Bank Facilities  | 93.68              | IVR BBB/<br>RWDI<br>(IVR Triple B; Rating Watch Developing Implication)     | IVR<br>BBB/Stable<br>(IVR Triple B with Stable Outlook) | Rating reaffirmed and placed on Rating Watch with Developing Implications | <a href="#">Simple</a> |
| Short Term Bank Facilities | 14.00              | IVR A3+/<br>RWDI<br>(IVR A three Plus; Rating Watch Developing Implication) | IVR A3+<br>(IVR A Three Plus)                           | Rating reaffirmed and placed on Rating Watch with Developing Implications | <a href="#">Simple</a> |
| <b>Total</b>               | <b>107.68</b>      | <b>Rupees One Hundred Seven crore and Sixty-eight Lakhs only</b>            |   |   |                        |

**Details of Facilities/Instruments are in Annexure 1.**

**Facility wise lender details are at Annexure 2.**

**Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has re-affirmed long term rating of IVR BBB along with rating watch with developing implication and placed the short-term rating of IVR A3+ as rating watch with developing implication for the bank loan facilities of A B Cotspin India Limited (ABCIL).

The rating has been placed under Rating Watch with Developing Implication (RWDI), on account of recent development wherein company announces a major capex of Rs 1500 crores in the next three years for the capacity Expansion. The proposed capacity addition is approx. 2,00,000 spindles. This capacity expansion is likely to be completed within 3 years. The existing capacity is 50,832 spindles. This expansion will be across India, including but not limited to the states of Madhya Pradesh and Maharashtra. This expansion will be funded through various channels including bank finance, internal sources, government incentives etc.

The rating draws comfort from the experienced promoters, long track record of operations, marginal growth in scale of operations along with improvement in profitability, moderate capital structure and easy availability of raw material. However, these strengths are partially offset by



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moderate debt protection metrics, profitability susceptible to volatile raw material prices and the highly fragmented, competitive nature of industry.

IVR has principally relied on the audited financial results of ABCIL up to 31 March FY25 (refers to period from 1<sup>st</sup> April, 2024 to 31<sup>st</sup> March 2025) and projected financials for FY26 and FY27, along with publicly available information.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant and sustained growth in scale of business with TOI over Rs.400 crores with further improvement in profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

#### **Downward Factors**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to any deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Promoters and Long Track Record**

The Company benefits from an experienced management team led by Sh. Deepak Garg, Chairman and Managing Director, with 20 years of industry experience, and Sh. Manohar Lal, Whole-Time Director, who brings over 40 years of expertise in the cotton industry. Established in 1997 with a turnover of Rs.10 crore, the Company has grown significantly, achieving Rs.256 crore in FY2024. Strategically located in Punjab, a cotton textile hub, the Company ensures seamless raw material procurement and market access. With a diversified product portfolio, including cotton bales, seeds, yarn, knitted fabric and edible oil, the Company caters to varied customer segments.



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### **Marginal growth in scale of operations along with improvement in profitability**

The company's TOI significantly increased from Rs.169.10 crore in FY2023 to Rs.255.77 crore in FY2024, reflecting a growth of 51.25%. Further TOI improved to Rs. 300.91 crores in FY2025, reflecting a growth of 17.65%. In absolute terms, EBITDA improved significantly from Rs.26.43 crore in FY2024 to Rs. 32.86 crore in FY2025, driven by an increase in sales volume and better average realization prices. Similarly, the EBITDA margin experienced increased from 10.34% in FY2024 to 10.92% in FY2025. In absolute terms, PAT has significantly improved around ~52.59%% from Rs.6.70 crore in FY2024 to Rs.10.22 crore in FY2025.

### **Moderate Capital Structure**

The Company maintains a moderate capital structure with notable improvements in FY2025. The tangible net worth increased from Rs. 68.46 crore in FY2024 to Rs.110.76 crore in FY2025. The TOL/TNW ratio stood at a moderate 1.60x as of FY2025, reflecting a balanced level of total obligations relative to net worth. Additionally, the overall gearing ratio improved to 1.50x as of March 31, 2025, compared to 1.78x in FY2024, supported by the growth in net worth.

### **Easy Availability of Raw Material**

The Company enjoys a strategic location in Punjab, a prominent hub for cotton textiles in India, providing access to a robust domestic market for knitted fabric and cotton yarn. Its manufacturing unit is situated in proximity to the Narma/Cotton producing belt, ensuring ease of procurement of its key raw material—raw cotton. This favourable location not only guarantees a steady and reliable supply of raw materials but also reduces logistics costs, enhancing operational efficiency. The established market infrastructure and close access to suppliers significantly boost the Company's marketing activities and contribute to its revenue growth.

### **Key Rating Weaknesses**

#### **Moderate Debt Protection Metrics**

The Company's debt protection metrics remained above unity, indicating a manageable level of debt. The Interest Service Coverage Ratio (ISCR) improved from 2.83x in FY2024 to 3.16x in FY2025, and the Debt Service Coverage Ratio (DSCR) remain same from 1.60x in FY2024 to 1.71x in FY2025. Gross Cash Accruals (GCA) improved from Rs. 16.43 crore in FY2024 to



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Rs. 19.28 crore in FY2025. The Total Debt to GCA ratio declined, from 7.40x in FY2024 to 8.62x in FY2025.

### **Profitability susceptible to volatile raw material prices**

The profitability of textile mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation etc. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company

### **Highly fragmented, competitive nature of industry**

The Indian textile industry consists of large, organized players who contribute to a major part of the production. The intense competition in highly fragmented textile industry restricts the ability of the company to completely pass on volatility in input cost to its customers.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

### **Liquidity: Adequate**

The company's liquidity is adequate marked by GCA of Rs. 19.28 Cr. during FY25 as against Rs. 16.43 Cr. during FY24. The unencumbered cash and bank balance stood at Rs. 0.30 crore as on March 31, 2025. The company has a current ratio of 1.65x as on March 31, 2025, compared to 1.45x as on March 31, 2024. The working capital cycle of the company stood high at 150 days in FY25 which was 122 days in FY24.



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### **About the Company**

AB Cotspin India Limited, established in 1997, is one of a known company in the textile industry, producing high-quality cotton yarn, knitted fabric, and edible oil products. Located in Jaitu, Punjab, the company benefits from its strategic position in a prominent cotton-producing region, ensuring efficient raw material procurement and access to established markets.

The company began its journey with a cotton ginning plant, producing cotton bales and seeds. In 2000, it diversified by installing a crushing unit for extracting cottonseed and mustard oil, along with oil cake. A significant milestone was achieved in 2011 with the establishment of a spinning plant for cotton yarn manufacturing. By 2014, it expanded into knitted fabric production with the addition of knitting machines. Over time, continuous investment in advanced technology increased its spinning capacity to 36,000 spindles, with plans underway to add 14,000 more.

### **Financials (Standalone):**

(Rs. crore)

| For the year ended/ As on* | 31-03-2024     | 31-03-2025     |
|----------------------------|----------------|----------------|
|                            | <b>Audited</b> | <b>Audited</b> |
| Total Operating Income     | 255.77         | 300.91         |
| EBITDA                     | 26.43          | 32.86          |
| PAT                        | 6.70           | 10.22          |
| Total Debt                 | 121.67         | 166.25         |
| Tangible Net Worth         | 68.46          | 110.76         |
| EBITDA Margin (%)          | 10.34          | 10.92          |
| PAT Margin (%)             | 2.61           | 3.40           |
| Overall Gearing Ratio (x)  | 1.78           | 1.50           |
| Interest Coverage (x)      | 2.83           | 3.16           |

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

**Rating History for last three years:**



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| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2025-2026) |                                |               | Rating History for the past 3 years                      |   |   |
|---------|-----------------------------|----------------------------------|--------------------------------|---------------|--|---|---|
|         |                             | Type (Long Term/Short Term)      | Amount outstanding (Rs. Crore) | Rating        | Date(s) & Rating(s) assigned in 2024-2025 (Jan 16, 2025) | Date(s) & Rating(s) assigned in 2022-2023 | Date(s) & Rating(s) assigned in 2021-2022 |
| 1.      | Fund Based                  | Long Term                        | 93.68                          | IVR BBB/RWDI* | IVR BBB/Stable   | -   | -   |
| 2.      | Fund Based                  | Short Term                       | 14.00                          | IVR A3+/RWDI* | IVR A3+  | -   | -   |

*\*Rating watch with Developing implications.*

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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: Instrument/Facility Details

| Name of Facility/<br>Security | ISIN | Date of<br>Issuance | Coupon<br>Rate/ IRR | Maturity<br>Date | Size of<br>Facility<br>(Rs. Crore) | Rating<br>Assigned/<br>Outlook |
|-------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Term Loan                     | -    | -                   | -                   | April 2027       | 1.88                               | IVR BBB/RWDI                   |
| Term Loan                     | -    | -                   | -                   | November<br>2032 | 31.63                              | IVR BBB/RWDI                   |
| Term Loan                     | -    | -                   | -                   | January<br>2030  | 4.71                               | IVR BBB/RWDI                   |
| Term Loan                     | -    | -                   | -                   | July<br>2030     | 3.46                               | IVR BBB/RWDI                   |
| Cash Credit                   | -    | -                   | -                   | -                | 52.00                              | IVR BBB/RWDI                   |
| WHR                           | -    | -                   | -                   | -                | 14.00                              | IVR A3+/RWDI                   |

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ABCIL-aug25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**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](http://www.infomerics.com).