



Press Release

PCK Cotton Private Limited

July 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-Term Loan	12.23	IVR BB- /Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facilities – Cash Credit	24.00	IVR BB- /Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Short Term Fund Based Facilities - Limit Under Gold Card	3.67	IVR A4 (IVR A Four)	Assigned	Simple
Short Term Non-Fund Based Facilities-Bank Guarantee	0.10	IVR A4 (IVR A Four)	Assigned	Simple
Total	40.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of PCK Cotton Private Limited derive strength from its Experience of Promoters in textile industry and Locational advantage emanating from proximity to raw material, However, the rating strengths are partially offset by Risk associated with Below-average financial risk profile, Raw material price volatility and Competitive Risk.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained increase in scale of operations with improvement in profitability and debt protection metrics.

Downward Factors

- Any decline profitability
- Any further deterioration in debt protection metrics and/or liquidity profile



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experience of Promoters in Textile industry:

The company has been promoted by Mr. Chetan Mehta and his family members. The promoters have been in the industry for many years. The company benefits from the promoters' industry experience, their understanding of dynamics of local markets and established relationships with farmers and customers. The group procures its raw materials through local farmers. The promoters have established relationships with its suppliers primarily farmers.

Locational advantage emanating from proximity to raw material:

The manufacturing facility of the entity is located at Jalgaon region, Maharashtra. Maharashtra produces around 21% of total cotton production of India. Hence, raw material is available in adequate quantity. Furthermore, the presence of the entity in cotton producing region also fetches a location advantage of lower logistics expenditure also, the Jalgaon region is famous for its cotton production.

Key Rating Weaknesses:

Below-average financial risk profile:

Financial risk profile is marked by moderate net worth, leveraged capital structure and modest debt protection metrics. Adjusted Net worth is expected to be around Rs 7.57 crore as on March 31, 2022, Provisional. Capital structure is leveraged at 3.46 times on March 31, 2022, Provisional. Due to high reliance on borrowings, debt protection metrics are also moderate, with likely Interest coverage ratio of 1.07 times for fiscal 2022.

Raw material price volatility:

The cotton processing industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The cotton processing 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. As a result, the profitability margins of the company are vulnerable to the volatility in raw cotton prices.



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Competitive Risk:

The cotton industry has large number of organized and unorganized players leading to high competition in the industry. The company faces stiff competition from reputed players in the industry. Also, the nature of business being seasonal in nature, the main source of raw material production varies depending upon the favourable and unfavourable climatic conditions prevailing during the cotton manufacturing process.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for [Manufacturing Companies](#).

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

Liquidity – Adequate

Free cash balance stood at Rs 7.32 crore in FY22 Provisional. Cash accrual, expected at Rs 1.96-3.00 crore during medium term while its maturing debt obligations are expected in the range of INR 2.15-2.00 crore over the same period. Averaged Bank limit utilisation was moderate ~66% for the 12 months ended March 2022. Current ratio was comfortable at about 1.59 times on March 31, 2022, Provisional.

About the Company:

PCK, incorporated in 1998 and promoted by Mr. Chetan Mehta, commenced operations in 2004 at Jalgaon, Maharashtra. Company is engaged in the business of cotton ginning and pressing and Trading activity of cotton seed oil extraction. The products are sold in domestic as well as international market. Mr. Chetan Mehta, the Managing Director, has to his credit around 40 years' experience in the line of activity.

Financials: Standalone

For the year ended/ As On	31-03-2021	31-03-2022
	(Audited)	(Provisional)
Total Operating Income	149.00	212.63
EBITDA	2.15	2.69
PAT	0.54	1.11
Total Debt	36.39	26.21
Adjusted Tangible Net-worth*	6.91	7.57
Ratios		



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EBITDA Margin (%)	1.44	1.27
PAT Margin (%)	0.36	0.52
Overall Gearing Ratio* (x)	5.20	3.46

Status of non-cooperation with previous CRA:

Care Ratings vide press release dated November 19, 2021, continues to classify the rating of PCK Cotton Private Limited's bank facilities in 'Issuer Not Cooperating' category on account of non-submission of relevant information.

Crisil Ratings vide press release dated April 27, 2022, continues to classify the rating of PCK Cotton Private Limited's bank facilities in 'Issuer Not Cooperating' category on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	12.23	IVR BB- /Stable Outlook (IVR Double B Minus with Stable Outlook)	--	--	--
	Long Term Fund Based Facilities – Cash Credit	Long Term	24.00	IVR BB- /Stable Outlook (IVR Double B Minus with Stable Outlook)	--	--	--
	Short Term Fund Based Facilities - Limit Under Gold Card	Short Term	3.67	IVR A4 (IVR A Four)	--	--	--
	Short Term Non-Fund Based Facilities-Bank Guarantee	Short Term	0.10	IVR A4 (IVR A Four)	--	--	--
	Total		40.00		--	--	--



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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.

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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	-	-	-	12.23	IVR BB-/Stable (IVR Double B minus)
Long Term Fund Based Facilities – Cash Credit	-	-	-	24.00	IVR BB-/Stable (IVR Double B minus)



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Short Term Fund Based Facilities - Limit Under Gold Card	-	-	-	3.67	IVR A4 (IVR A Four)
Short Term Non-Fund Based Facilities-Bank Guarantee	-	-	-	0.10	IVR A4 (IVR A Four)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-PCK-Cotton-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
1	Term Loan	Simple
2	Cash Credit	Simple
3	Limit Under Gold Card	Simple
4	Bank Guarantee	Simple

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.