



## Press Release

### Prath Cotspin Private Limited

November 14, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	47.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	13.00	IVR A4 (IVR A Four)	-	Assigned	Simple
<b>Total</b>	<b>60.00</b> <b>(Rupees sixty crore only)</b>				

Details of Facilities 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 assigned ratings of IVR BB/Stable, IVR A4 to the Bank facilities of Prath Cotspin Private Limited (PCPL) which derive strength from experienced promoters having long track record with presence of strong group, synergy benefits from group companies present in textile industry and strategic location of the plant. However, these rating strengths are partially offset by project stabilization risk, highly competitive & fragmented nature of industry, and moderate credit profile of the off taker.

The Stable outlook is reflective of Infomerics' expectation that the project is not expected to face any major challenges towards implementation or ramp up in operations thereafter. This view is supported by the significant progress achieved in construction of factory building as on date and considering that the entire building construction along with machinery installation is expected to be completed by Feb 2025, after which trials will be carried out in Mar 2025. The COD as per sanction letter and TEV report is April 2025, which is expected to be achieved. Moreover, given that PCPL has entered into a 100% offtake agreement with Group company Krushna Cotex Pvt Ltd (rated IVR BB+/- Stable), ramp up in sales post project implementation is expected to proceed smoothly.



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### Key Rating Sensitivities:

#### Upward Factors

- Timely completion of the project and commencement of operations.
- Significant ramp up in sales and cash accruals during initial phase of operations, resulting in gearing lower than 1.5x on sustained basis.
- Improvement in the credit profile of the off taker

#### Downward Factors

- Any delay in time or cost overruns in implementation of the project.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters and long track record with presence of strong group**  
PCPL is currently being managed by Ketki Mukesh Patel and Kruti Bhupesh Patel, who have an experience of more than a decade in the textile industry. Promoters are well experienced in the textile industry and are successfully running the existing plants and manufacturing units in Shirpur. Further the group has experienced senior management team and technical staff to manage the unit. PCPL is part of the Deesan Group, a diversified conglomerate with a strong presence in Education, Textile, Edible Oils and Construction. With group revenues of ~Rs. 4,000-4,500 crore and bank exposure under ~Rs. 1,000 crore, Deesan Group offers a solid financial foundation, ensuring robust support for PCPL's growth and operations.
- **Synergy benefits from group companies present in textile industry**  
The company will cater to captive cotton yarn requirements of the Deesan Group (with 100% offtake agreement signed with Krushna Cotex Pvt Ltd, rated IVR BB+/Stable). The latter manufactures terry towels and currently procures cotton yarn from outside parties. The group companies purchasing yarn from the company will benefit in terms of lower transportation and packaging costs as they are located in the same textile



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park. Total demand for group for cotton yarn is around 200 MT per day of which PCPL is expected to produce 17 MT per day and cater to 10% of total requirement. However, in terms of terry towels the total requirement of cotton yarn is 1000 MT per month and PCPL is expected to meet 450 MT per month of the same.

- **Strategic location of the plant**

The company is located in an integrated textile park owned by the Group and thus has a ready market for its yarn. Dhule district is a cotton growing region. The project site is also well connected to Dhule and National highway and close to textile production centres in Central and Western India region. The key raw material required is cotton candy. The same is planned to be procured from Shirpur only. Raw material (Cotton) is available in plenty in the region which is further supported through government programs. The company has established a direct sourcing arrangement with farmers, which ensures a reliable supply of raw materials. Additionally, the group has three ginning mills for job work, where the raw cotton is processed further.

### Key Rating Weaknesses

- **Project stabilization risk**

The company's operations are yet to commence, and the COD is expected to be 1<sup>st</sup> April 2025. The company is therefore exposed to risk of delay in ramp up of operations in the event of any risk including supply chain disruptions, equipment malfunction, or underperformance during the initial phase. Delays in achieving full operational capacity as per envisaged timelines could impact the company's ability to meet its debt obligations

- **Highly competitive & fragmented nature of industry**

Although the company's sales would be exclusively to the Deesan group (specifically to Krushna Cotex Pvt Ltd as per offtake agreement), the transactions are expected to be done on arm's length basis, and hence the company will have to ensure that its operating costs and selling prices are in line with the market. The textile industry is



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highly fragmented with many unorganised small and medium players in the market which exerts pressure on pricing power and margins.

- **Moderate credit profile of off-taker**

PCPL will supply its entire yarn production to group company, Krushna Cotex Pvt Ltd (which is rated IVR BB+/Stable), as per offtake agreement. . As per provisional results of FY24, Krushna Cotex Pvt Ltd reported a total operating income (TOI) of Rs. 139.13 crore, total debt of Rs. 126.97 crore, a PAT margin of 3.52%, and an overall gearing ratio of 1.33. Given that PCPL's yarn supply and cash flows is intrinsically linked to Krushna Cotex Pvt Ltd, its credit rating is constrained by the credit profile of Krushna Cotex Pvt Ltd.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

[Rating criteria on Parent/Group Support](#)

**Liquidity – Adequate**

The company's liquidity position is moderate as of March 2024 with cash and bank balance of Rs.0.17 Cr. Since the company has not started its operation yet, there are nil gross cash accruals. Repayment will start from October 2025 and interest during construction is funded by promoters and is part of project cost. Also, the company is expected to earn a gross cash accrual in the range of ~Rs. 13 to 18 crores during FY26-FY27 as against its debt repayment obligations around ~Rs. 6 to 7 crore per year during the same period. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term.

**About the Company**



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Parth Costpin Private Limited is a part of the Deesan Group, which is promoted by Shri Amrish Patel. The Deesan Group, a diversified conglomerate with a strong presence in Education, Textile, Edible Oils and Construction segment. The group had revenues of ~Rs. 4500-5000 crore and bank exposure under ~Rs.1000 crore in FY24. Prath Cotspin Private Limited (PCPL) was incorporated on 10th July 2019. The company has two directors namely Mrs. Kruti Bhupesh Patel and Mrs. Ketki Mukesh Patel who have more than 12 years of experience in textile industry with good market reputation. The company will be primarily involved in manufacturing of cotton yarn and will be a captive source of yarn for companies of the Deesan group which are into production of terry towels. Total installed capacity of the plant is 14400 ring spindles capable to producing 17 MT of cotton yarn per day.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.00	0.00
Total Debt	0.07	4.36
Tangible Net Worth	-0.01	-0.01
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio (x)	-10.98	-623.53
Interest Coverage (x)	-71.00	1.56

\* Classification as per Infomerics' standards.

Since the company has not started its operation yet, the numbers till FY25 will not show a correct picture of the financial position.

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**





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Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating  November 13, 2024	Date(s) & Rating(s) assigned in (2023-24)	Date(s) & Rating(s) assigned in (2022-23)	Date(s) & Rating(s) assigned in (2021-22)
1.	Term loan	Long Term	47.00	IVR BB/Stable	-	-	-
2.	Bank Guarantee	Short Term	13.00	IVR A4	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private 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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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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: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility –Term loan	-	-	-	October 2025	47.00	IVR BB/ Stable
Short Term Non-Fund Based Facility – Bank Guarantee	-	-	-	Revolving	13.00	IVR A4

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Prath-Cotspin-nov24.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).