

Press Release

Pratham Cotspin Private Limited

September 05, 2019



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 9.25 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 9.25 crore bank facilities of PRATHAM COTSPIN PRIVATE LIMITED. The outlook is '**Stable**'.

Pratham Cotspin Private Limited (PCPL) was established in 2017 by Mr. Vilas Agrawal and Mr. Vaibhav Jain. PCPL is engaged in manufacturing of polyester yarn. The manufacturing unit of PCPL is located at Bhikangaon, Madhya Pradesh. The commercial operations started in July 2019.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PCPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management**

The directors of the company are Mr. Vilas Agrawal, who has experience of more than 20 years working as an executive director at Wearit Global group, Indore; and Mr. Vaibhav Jain, who is a third-generation entrepreneur holds experience of more than fifteen years in Cotton Ginning through firm named 'Mahaveer Ginning'. Both the directors met through Wearit Global, where they decided to start their own venture in spinning textile in 2017. Acuité believes that PCPL will be able to sustain its leverage on the promoters' long-standing experience and established relationships in the industry.

Weaknesses

- Limited track record of operations**

The commercial operations of PCPL started in July 2019, while it was expected to start in October 2018 due to delay in construction. Acuité believes that the ability of PCPL to stabilise its operations in a timely manner is a factor of rating sensitivity.

- Presence in highly fragmented and competitive nature of industry**

PCPL operates in a highly competitive and fragmented cotton industry with presence of several organized and unorganized players.

Liquidity position

The cash accruals of PCPL are estimated to remain adequate around Rs. 0.9 crore to Rs. 1.6 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 0.4 crore to Rs. 0.7 crore during the same period. PCPL is not likely to incur any major capex to be funded by external borrowing. Acuité believes that the liquidity of PCPL is likely to be sufficient to service its repayment obligations, while supporting most of the routine capex over the medium term.

Outlook: Stable

Acuité believes that PCPL will maintain a 'Stable' credit profile over the near to medium term on the back of experienced management and established network in the industry. The outlook may be revised to 'Positive' if PCPL records higher than expected flow of orders and profitability. Conversely, the outlook may be revised to 'Negative' if the company records lower than expected operating income and margins.

About the Rated Entity - Key Financials

Not applicable.

Status of non-cooperation with previous CRA (if applicable)

Not applicable.

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|------------------------------|
| 15-Oct-2018 | Cash Credit | Long Term | 3 | ACUITE B / Stable (Assigned) |
| | Term Loan | Long Term | 6.25 | ACUITE B / Stable (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 6.25 | ACUITE B / Stable (Reaffirmed) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE B / Stable (Reaffirmed) |

Contacts

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About Acuité Ratings & Research:

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