



Press Release
The Cotton Corporation Of India Limited
November 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25000.00	ACUITE AAA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE AAA**’ (read as **ACUITE triple A**) on the Rs.25,000.00 Cr. bank facilities of The Cotton Corporation of India Limited (CCI). The outlook is ‘**Stable**’.

Rationale for reaffirmation

The rating is driven by CCI’s 100% shareholding by the Government of India and the strategic importance of the entity in procurement of cotton in India. Further, Government of India has provided a letter of comfort and undertaking to CCI for reimbursement of losses in minimum support price (MSP) operations for the cotton procured by the corporation.

About the Company

The Cotton Corporation of India Limited (CCI) was established on July 31, 1970 under the administrative control of Ministry of Textiles, Government of India as a Public Sector Undertaking. The major role of CCI is to undertake price support operations, whenever the market prices of cotton fall below the minimum support prices (MSP) announced by Govt. of India, without any quantitative limit. Besides MSP operations, CCI undertakes commercial purchase operations to fulfil the raw material requirement of the domestic textile industry particularly in the lean season. The corporation is having pan India presence through its headquarters at CBD Belapur, Navi Mumbai (Maharashtra), 19 branches and more than 450 cotton procurement centres in all the major cotton growing states.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered the standalone credit profile of CCI and has duly factored in the strong support provided by Government of India (GoI) to arrive at the rating.

Key Rating Drivers

Strengths

Nodal agency to undertake price support operations for cotton with strong operational & financial support from GoI

CCI is a cotton trading organization under the administrative control of Ministry of Textiles, Government of India. The major role of CCI is to undertake Minimum Support Price (MSP) operations on behalf of the Government of India as and when the prices of Fair Average Quality (FAQ) grade seed cotton fall below the MSP level, without any quantitative limit. CCI procures FAQ grade cotton offered by the cotton farmers in various Agricultural Produce Market Committee (APMC) yards at MSP rates. CCI procures about 5 percent to 35 percent of the total production in the country, which entirely depends on the domestic crop outlook and the global prices prevailing in

that year. CCI is having a well-established network in the cotton belt of India to conduct MSP and commercial operations and ensuring remunerative prices to the cotton farmers. The procurement operations are carried out through more than 400 procurement centres under 19 procurement branches. Besides undertaking MSP operations, CCI also undertakes commercial operations by leveraging on its existing MSP infrastructure and to recover part of the overhead expenses; the commercial operations are in addition to the main role of price support and often a tool to ensure optimal utilization of its resources and also to support its regular customers. CCI's

credit profile is strengthened by a strong expectation of support from the Government of India (GOI). CCI is fully owned (100%) by the GoI and the latter has also provided an undertaking to reimburse the losses arising out of the MSP operations. Additionally, GoI has also issued a Letter of Comfort in favour of CCI, which shows Government's commitment to support the operations of CCI. Acuité believes that CCI will continue play a pivotal role in government's support to the cotton farmers and will benefit from the ownership of Government of India.

Weaknesses

Susceptibility of operating volumes to the demand supply dynamics of cotton

The cotton production is dependent on the area under cultivation (acreage). Provisional Acreage under cotton in India decreased to 124.69 lakh hectares in FY23-24 as against 129.27 lakh hectares in FY22-23. The yield slightly decreased to 441 kg/ha in FY23-24 as against 443 kg/ha of in FY22-23. This has resulted in decrease in the cotton production to 323.11 lakh bales in FY23-24 as against 336.60 lakh bales for FY22-23. The consumption for the same stood at 317.00 lakh bales in FY23-24.

During Cotton season 2023-24, CCI has immensely supported the cotton farmers and procured 32.84 lakh bales valuing Rs.11,712 crore under MSP operations, benefitting about 7.25 lakh cotton farmers in all cotton growing States.

Cotton prices in the global markets are largely influenced by the demand-supply situation in major producing and consuming countries like China, US among others. Since Cotton exports from India come under Open General License (OGL), in the event of prices going above MSP, farmers will prefer to sell in the open market limiting the role for agencies like CCI. The volumes of CCI are therefore highly susceptible to the production of cotton and the volatility of cotton prices in India. Seed cotton is exposed to agro climatic risks, and the production is also highly dependent upon the monsoon and the climatic conditions. Higher temperature in already hot areas may hinder cotton development and fruit formation resulting in reduced yields. Acuité believes CCI will continue be exposed to volatility in its revenues and profitability as it undertakes the MSP operations whenever the market prices of cotton fall below the MSP. However, this risk is mitigated as losses incurred by CCI arising out of the MSP operations are reimbursed by GoI.

Rating Sensitivities

Any unexpected reduction of support from GoI.

Any significant deterioration in the working capital intensity of the corporation.

Liquidity Position

Strong

CCI has large working capital limits from banks, the utilization whereof depends on the cotton procurement in that season. The short term borrowings for the company stood high at Rs.9500 crore due to the procurement season. The company has unencumbered cash and bank balances of Rs.22.00 crore as on March 31st 2024 against Rs.87.31 crore as on March 31st 2023. Further, the ownership and the company's strategic importance to the government strongly supports its ability to raise additional debt at a competitive rate from its lenders, thereby mitigating any liquidity risks.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3458.34	166.23
PAT	Rs. Cr.	38.91	(55.54)
PAT Margin	(%)	1.13	(33.41)
Total Debt/Tangible Net Worth	Times	29.10	0.01
PBDIT/Interest	Times	1.38	(38.61)

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Aug 2023	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	450.00	ACUITE AAA Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	3700.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	6425.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2450.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2775.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3400.00	ACUITE AAA Stable (Reaffirmed)
12 Jul 2023	Working Capital Demand Loan	Long Term	3400.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	6425.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	2775.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	2450.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	6075.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	2250.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	1000.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	725.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	1050.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	2400.00	ACUITE AAA A1+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	450.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	200.00	ACUITE AAA A1+ Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	3500.00	ACUITE AAA A1+ Stable (Assigned)
14 Oct 2022	Working Capital Demand Loan (WCDL)	Long Term	12500.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	4700.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1000.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3500.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1050.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	450.00	ACUITE AAA Stable (Reaffirmed)

	Proposed Working Capital Demand Loan	Long Term	200.00	ACUITE AAA Stable (Reaffirmed)
16 Jul 2021	Working Capital Demand Loan (WCDL)	Long Term	3500.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	450.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1050.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1000.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	4700.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	5800.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	12500.00	ACUITE AAA Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	200.00	ACUITE AAA Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Working Capital Demand Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7500.00	Simple	ACUITE AAA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6425.00	Simple	ACUITE AAA Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2450.00	Simple	ACUITE AAA Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2775.00	Simple	ACUITE AAA Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3400.00	Simple	ACUITE AAA Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2000.00	Simple	ACUITE AAA Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	450.00	Simple	ACUITE AAA Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No	Name of the companies
1	Government of India
2	The Cotton Corporation of India Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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