

Press Release

THE COTTON CORPORATION OF INDIA LIMITED

January 22, 2025

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7500.00	ACUITE AAA Stable Assigned	-
Bank Loan Ratings	25000.00	ACUITE AAA Stable Reaffirmed	-
Commercial Paper (CP)	7500.00	-	ACUITE A1+ Assigned
Total Outstanding Quantum (Rs. Cr)	40000.00	-	-
Total Withdrawn Quantum (Rs.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**'.

Further, Acuite has assigned long-term rating of '**ACUITE AAA**' (read as **ACUITE triple A**) on the Rs. 7,500 Cr. bank facilities of The Cotton Corporation of India Limited (CCI). The outlook is '**Stable**'.

Further, Acuite has assigned short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs.7,500 Cr. proposed commercial paper facilities of The Cotton Corporation of India Limited (CCI).

Rationale for reaffirmation

The rating is driven by CCI's complete shareholding by the Government of India (GOI) and the strategic importance of the entity in procurement of cotton in the country. Further, while GOI has discontinued the issuance of letter of comfort, it continues to extend its commitment to CCI through the arrangement of financial assistance towards reimbursement of losses in minimum support price (MSP) operations for the cotton procured by the corporation. These strengths are partially offset by susceptibility of the operating volumes to the demand and supply dynamics of cotton.

Acuite understands that the current enhancement in the working capital limits is to support the increase in procurement volumes and prices in the FY 2024-25 cotton season.

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 (GOI) 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 GOI, 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), with 19 branches and more than 500 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 benefits received under the ownership of GOI and arrangement for financial assistance received by GOI to arrive at the rating.

Key Rating Drivers

Strengths

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

CCI is a cotton trading organization under the administrative control of Ministry of Textiles, GOI. The major role of CCI is to undertake MSP operations on behalf of the GOI 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 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 500 procurement centres under 17 procurement branches. Besides undertaking MSP operations, CCI also undertakes commercial operations of seed sales 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 is fully owned by the GOI and the latter has also provided a financial assistance to reimburse the losses arising out of the MSP operations, which depicts Government's commitment to CCI. CCI's role as an implementation agency for MSP based cotton procurement is critical for the government since it strives to protect the interests of the cotton farmers; further, it also facilitates the availability of cotton to the spinning mills at fair prices. The strong parentage is in the form of the sovereign ownership and the pronouncements in the form of loss reimbursement have enabled CCI to raise funds at competitive pricing from the financial institutions.

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

Currently, for the cotton season 2024-25, CCI has procured 56 lakh bales starting from the 2nd week of November with a total procurement amounting to Rs.21,675 Cr. till 31st December 2024. The current average buying price ranges between Rs.6,600 to 7,500/quintal as against procurement at Rs.6950/quintal during the cotton season FY 2023-24. Further, considering the expected increase in cotton production for the season of FY 2024-25, it is anticipated that CCI will procure a total of 125 lakh bales throughout this season at an estimated total procurement cost of Rs. 40,000 Cr.

During cotton season 2023-24, CCI had immensely supported the cotton farmers and procured 32.84 lakh bales valuing Rs. 11,712 Cr. 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 and others. Since, cotton exports from India come under Open General License, 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

- Change in the commitment stance from GOI.
- Any significant deterioration in the working capital intensity of the corporation.

Liquidity Position

Strong

CCI holds significant 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.9,500 crore as on 31st March, 2024 due to the procurement season and the bank limit utilisation stood at an average of 88.51 percent for the past 12 months ended 31st December, 2024. The company had 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

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>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.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. Acuite'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
14 Nov 2024	Working Capital Demand Loan (WCDL)	Long Term	2000.00	ACUITE AAA Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	450.00	ACUITE AAA Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	7500.00	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)
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)
	Working Capital Demand Loan (WCDL)	Long Term	12500.00	ACUITE AAA Stable (Reaffirmed)

14 Oct 2022	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1000.00	Simple	ACUITE AAA Stable Assigned
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1000.00	Simple	ACUITE AAA Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Commercial Paper Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7500.00	Simple	ACUITE A1+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Working Capital Demand Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1575.00	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.	9000.00	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.	5800.00	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 India	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 Assigned
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.	1000.00	Simple	ACUITE AAA Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	500.00	Simple	ACUITE AAA Stable Assigned
Central Bank of India	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 Assigned

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