



Press Release

Pashupati Cotspin Limited

February 19, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	141.92	IVR BB+/ Stable (IVR double B plus with Stable Outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	11.00	IVR A4+ (IVR A Four plus)	-	Rating Assigned	Simple
Total	152.92 (INR one hundred fifty-two crore and ninety-two lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Pashupati Cotspin Limited (PCL) derives strength from the experienced promoter with long operational track record and strategic location of the plant, efficient working capital management and improvement in the company's financial performance in FY24 (FY24 refers to the period from April 1, 2023, to March 31, 2024). However, these rating strengths are constrained due to leveraged capital structure and satisfactory debt coverage, highly competitive & fragmented nature of the industry and exposure to cyclicity, inherent risk in the textile industry.

The outlook assigned on the long-term rating is stable due to stable business operation, long track record of the promoters and favourable industry outlook

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis



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- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity

Downward Factors

- Decline in the operating income or profitability impacting the cash accrual
- Moderation in the capital structure with deterioration in the debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**

Pashupati Cotspin Limited, based in Kadi, Gujarat, is a family-owned business founded in 1993 by Mr. Saurin Parikh and his family. It started as a small cotton ginning company and has since expanded into various textile-related activities. Mr. Parikh, with over 20 years of experience in textile processing, leads the group and also serves as the president of the Gujarat Textile Association. Other family members, serving as directors, manage daily operations. Under Mr. Parikh's leadership, the "Pashupati" brand has established a strong presence in both domestic and international markets

- **Strategic location of the plant**

The company's manufacturing facility is located in Kadi, Gujarat, which is in close proximity to the plants of various end users across the value chain of the textile industry and helps to maintaining close relationships with its customers and supplying yarns to them with minimum lead time.

- **Efficient working capital management**

The efficient working capital management of the company is marked by operating cycle, which decreased from 82 days in FY23 (FY23 refers to the period from April 1, 2022, to March 31, 2023) to 47 days in FY24. This was primarily because of the decrease in inventory days to 22 days in FY24 from 42 days in FY23 and the reduction in debtors days to 34 days in FY24 from 46 days in FY23.

- **Improvement in the company's financial performance in FY24**



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The revenue of the company improved Y-o-Y by ~49% to Rs.661.09 Cr in FY2024 from Rs.444.76 Cr in FY2023 on account of better realisation and demand of cotton in the market. Moreover, the company has achieved sales of Rs. 347.97 crore in H1FY25 (H1FY25 refers to the period from April 1, 2024, to September 30, 2024), which shows a growth of 30% as compared to H1FY24 (H1FY24 refers to the period from April 1, 2023, to September 30, 2023).

Key Rating Weaknesses

- **Leveraged capital structure and satisfactory debt coverage**

The capital structure of the company had remained moderate over the past three fiscal years with its satisfactory net worth base of Rs.118.55 crore supported by accretion of profits as on March 31, 2024. Further, the adjusted tangible net worth (ATNW) stood at Rs.117.33 crore (excluding Investments in joint venture of Rs.1.23 crore in FY24). The total debt of the company consists of long-term debt of Rs.69.06 crore and short-term debt of Rs.81.54 crore as on March 31, 2024. Considering the outstanding corporate guarantee, the Adjusted Overall gearing stood at 1.67x as on March 31, 2024, against 1.98x as on March 31, 2023 (1.97x as on March 31, 2022). Long term debt to equity has also stood comfortable at 0.59x as on March 31, 2024, from 0.70x as on March 31, 2023 (1.02x as on March 31, 2022). Overall indebtedness of the company marked by Adjusted TOL/TNW has stood high at 2.02x as on March 31, 2024, against 2.19x as on March 31, 2023 (2.16x as on March 31, 2022). Debt protection metrics remained moderate with interest coverage to 1.94x as on March 31, 2024, from 1.95x as on March 31, 2023 (3.03x as on March 31, 2022). DSCR remained moderate at 0.90x as on March 31, 2024, from 0.67x as on March 31, 2023 (1.09x as on March 31, 2022). The DSCR in FY23 and 24 is below unity due to the high debt obligation and lower profitability consequently led to low cash accruals; however, Infomerics expects the same to improve, going forward.

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

The spectrum of the yarn industry in which the company operates is highly fragmented and competitive due to the presence of numerous players in India owing to relatively low entry barriers. Most players in the industry thus do not have pricing power and are exposed to the prices dictated by the large-scale spinners in India. On the raw material side, the prices of



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cotton are determined by the demand and supply situation and minimum support prices announced by the Government.

- **Exposure to cyclicality, inherent risk in the textile industry**

The textile industry is highly cyclical. Cotton and yarn prices fluctuate based on macroeconomic factors, including, amongst others, demand-supply scenarios, monsoons, etc. Adverse volatility in yarn and/or cotton prices will have an adverse effect on the Company's performance

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The liquidity of the company is expected to remain adequate marked by its expected healthy gross cash accruals vis-à-vis its debt repayment obligations in the projected tenure. The company has earned a gross cash accrual of Rs.3.46 crore in FY24. Further, the company has projected to earn sufficient cash accruals in the range of ~Rs. 15.00 crore and Rs. 24.00 crore in comparison to its debt repayment obligation of Rs 1.57 crore to Rs 9.00 crore in the projected period of FY25 to FY27. Moreover, the average fund-based limit utilization of the remained moderate at ~66%, indicating a satisfactory liquidity buffer. Furthermore, the absence of any major capex plan in the near term provides additional comfort.

About the Company

Pashupati Cotspin Limited, a Kadi, Gujarat based company was established as a partnership firm in 2013 by Mr. Saurin Parikh and his family and is engaged in ginning and spinning of



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cotton yarn. Further, it was reconstituted into a public limited company in 2017 and subsequently listed on the SME platform of NSE. The current directors of the company are Mr. Saurin Jagdish Bhai Parikh, Mr. Tushar Ramesh Chandra Trivedi and Mr. Dakshesh Jayantilal Patel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	444.76	661.09
EBITDA	19.12	33.00
PAT	4.11	8.30
Adjusted Total Debt	218.35	195.71
Adjusted Tangible Net Worth	110.29	117.33
EBITDA Margin (%)	4.30	4.99
PAT Margin (%)	0.91	1.24
Adjusted Overall Gearing Ratio (x)	1.98	1.67
Interest Coverage (x)	1.95	1.94

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickwork Rating has maintained the ratings of PCL's in the Issuer Not Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release dated December 11, 2023.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	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 Loans	Long Term	38.17	IVR BB+/ Stable	-	-	-
2.	GECL	Long Term	13.51	IVR BB+/ Stable	-	-	-
3.	Cash Credit	Long Term	85.78	IVR BB+/ Stable	-	-	-
4.	Dropline OD	Long Term	4.46	IVR BB+/ Stable	-	-	-
5.	Overdraft	Short Term	5.00	IVR A4+	-	-	-
6.	Bank Guarantee	Short Term	6.00	IVR A4+	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupo n Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan- 5	-	-	-	March 2027	7.22	IVR BB+/ Stable
Term Loan- 6	-	-	-	March 2026	0.25	IVR BB+/ Stable
Term Loan- 7	-	-	-	March 2026	0.30	IVR BB+/ Stable
GECL 2.0	-	-	-	March 2027	5.07	IVR BB+/ Stable
GECL 2.0 Extn	-	-	-	March 2028	8.44	IVR BB+/ Stable
Term Loan I	-	-	-	March 2029	10.63	IVR BB+/ Stable
Term Loan II	-	-	-	March 2030	17.84	IVR BB+/ Stable
Term Loan III	-	-	-	March 2029	1.93	IVR BB+/ Stable
Cash Credit I	-	-	-	-	45.00	IVR BB+/ Stable
Cash Credit II	-	-	-	-	40.78	IVR BB+/ Stable
Dropline OD	-	-	-	-	4.46	IVR BB+/ Stable
Overdraft	-	-	-	-	5.00	IVR A4+
Bank Guarantee	-	-	-	-	6.00	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-pashupati-feb25.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.