

December 21, 2023

To
Listing Department
National Stock Exchange of India Ltd,
Exchange Plaza, C-1 Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400051

NSE Symbol: **ABCOTS**
ISIN: **INE08PH01015**

Subject: Intimation of Withdrawal of Credit Rating


Dear Sir/Madam,

This is in reference to our intimation dated 21st October 2022, regarding Credit Rating.

In this regard, we now wish to inform that, at the request of the Company, the Credit Rating Agency CARE has vide its letter dated 20/12/2023, withdrawn CARE BBB-; Stable/CARE A3 [Triple B Minus; Outlook: Stable/ A Three] assigned to the bank facilities of our Company. Copy of the letter received from CARE and the Press Release are attached herewith and also available on the website of the Company at www.abcotspin.com.

You are requested to kindly take the same on your record.

Yours Faithfully,
For **A B Cotspin India Limited**

KANNU
SHARMA  Digitally signed by KANNU
SHARMA
Date: 2023.12.21 16:42:16
+05'30'

Kannu Sharma
Company Secretary & Compliance Officer

Encl: As Above

A B COTSPIN INDIA LIMITED

**CIN: L17111PB1997PLC020118, Registered Address: NH-54, Goniana Road, Near Lake-3
Bathinda, Punjab-151001, Factory Address: Bathinda Road, Jaitu, Faridkot, Punjab-151202,
Website: www.abcotspin.com, Email: info@abcotspin.in, Ph.: 01635-232670**

No. CARE/NRO/RL/2023-24/2469

Shri Deepak Garg
Managing Director
A B Cotspin India Limited
Bathinda Road, Jaitu

Bathinda
Punjab 151001



December 20, 2023

Confidential

Dear Sir,

Withdrawal of rating assigned to the Bank Facilities of A B Cotspin India Limited

1. At the request of the company vide email dated December 06, 2023 along with 'No Objection Certificate' dated December 05, 2023 from HDFC Bank, we hereby withdraw the outstanding rating of CARE BBB-; Stable/CARE A3 [Triple B Minus; Outlook: Stable/ A Three] assigned to the bank facilities of your company with immediate effect.

2. As per our normal procedure, we will be announcing the withdrawal of the rating through a Press Release, a copy of which is enclosed. **Meanwhile, please ensure that ratings are not used hereafter, for any purpose whatsoever.**

3. In case of any future rating requirements, we will be happy to offer our services.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Smidha Sharma
Lead Analyst
smidha.sharma@careedge.in

Amit Jindal
Associate Director
amit.jindal@careedge.in

Encl.: As above

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Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.



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Annexure-2
Press Release
A B Cotspin India Limited

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3 and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Stable/CARE A3' [Triple B Minus; Outlook: Stable/ A Three] assigned to the bank facilities of A B Cotspin India Limited with immediate effect. The above action has been taken at the request of A B Cotspin India Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

The ratings assigned to the bank facilities of A B Cotspin India Limited (ABCIL) continues to derive comfort from moderate scale of operations and profitability margins, moderate capital structure along with adequate liquidity position. The rating further derives strength from experienced promoters long track record of operations in the textile industry and its location advantage of being in the textile hub, integrated nature of operations and diversified product profile. The rating, however, continues to remain constrained due to risk of customer concentration, susceptibility of profitability to volatile raw material prices and regulatory changes along with presence in fragmented and cyclical textile industry.

Analytical approach:

Standalone

Detailed description of the key rating drivers:

Key strengths

Moderate scale of operations and profitability margins

Despite of sluggish demand for yarn and overall textile industry, the company managed to sustain its scale of operations at Rs. 169.10 crores as on March 31, 2023 as against Rs.140.69 crores as on March 31, 2022. During H1FY24, the company was able to achieve sales of Rs.111.02 crores as compared to full year sales of Rs.169.10 crores in FY23.

Also, during FY23, the prices of cotton remained highly volatile and sudden decline in prices adversely affected the profitability of the company as marked by PBILDT margin and PAT margin of 6.17% (PY:10.16%) and 1.11% (PY: 4.85%) respectively.

However, the prices have started stabilising, and in H1FY24, the PBILDT and PAT margin stood 10.18% and 1.78% respectively. In absolute terms, PAT stood Rs.1.98 crores in H1FY24 which is higher than the PAT of Rs.1.88 crores in FY23. The GCA of the company stood Rs.6.82 crores during H1FY24 as compared to Rs.2.12 crores during H1FY23.

Apart from this the company has raised equity of Rs.84 cr through preferential allotment of which it has received Rs.21cr during Oct 2023 and balance will be received in the next 12 months. The equity received has been used for inventory funding during the current season. The remaining equity to be received will be used for reduction of debt and further strengthening of working capital.

Moderate capital structure

The capital structure of the company remained moderate marked by an overall gearing ratio at 1.76x as on March 31, 2023 (PY: 0.37x as on March 31, 2022). However, slight deterioration is on account of comparatively high reliance on external borrowings of the company due to capital expenditure undertaken during FY23.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
CARE Ratings Limited

Vast experience of promoters and long track record of operations in textile industry

ABCIL was established in 1997 and it has established long standing presence in the textile industry which has led to established relationships with the customers as-well-as suppliers. The company is currently being managed by Mr. Deepak Garg, a Managing Director of the company, who has an industrial experience of more than two decades. Further, Mr. Manohar Lal, who is a wholetime director of the company, possess vast experience of around three decades in cotton industry and Mr. Ramesh Kumar, a non-executive director, hold an experience of a decade in cotton industry. The directors are actively involved in the day-to-day operations of the company and are ably supported by a qualified management team.

Location advantage of being in the textile hub

The company operates from its manufacturing unit in Bathinda, Punjab. The company sells its products directly to textile units located primarily in Punjab and Haryana. Both these states are well established textile hubs with presence of a large number of spinning and garmenting units. The company therefore benefits from the location advantage in terms of easy accessibility and close proximity to a large customer base. Further, the company is operating in a cotton cultivation belt which leads to easy and ample availability of raw materials as well as lower freight costs.

Integrated nature of operations and diversified product profile

ABCIL is engaged in the business of cotton ginning and manufacturing of cotton yarn and fabrics. It has a ginning capacity of 8500 Metric Ton Per Annum (MTPA) which meets full requirement of spinning unit which has an installed capacity of 4,290 MTPA. Further, the requirement of yarn of knitted fabric manufacturing unit is met in house. The company also engages in extraction of oil and production of cakes from cotton seeds (by product of the ginning process). Hence, the product profile of the company is diverse which comprises ginned cotton, cotton seeds, cotton seed oil, cotton yarn and knitted cotton cloth. The yarn is further manufactured in various types including 100% cotton yarn of counts 20-30s, double yarn of counts 20-30s, slub yarn etc. The company also produces varies type of knitted fabric which includes combed, carded, slub fabric. The company generates revenue of around 60-75% from cotton yarn and balance from other products.

Key weaknesses

Customer concentration risk

The company is exposed to the customer concentration risk as the top five customers contribute around 55% of total sales during FY23 and around 65% during H1FY24. Further, the company doesn't have any short term/long term contract with their customers and hence, any change in procurement policy or any deterioration in the financial profile of any of these customers may adversely impact the business of the company.

Susceptibility of profitability to volatile raw material prices and regulatory changes

ABCIL's profitability is susceptible to the movement in the prices of raw cotton which is the key raw material for production of cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players. Furthermore, the textile industry also witnesses regulatory risks such as change in domestic and international government policies related to subsidies or imports / exports tariffs, which also affects the industry players across the value chain.

Presence in fragmented and cyclical textile industry

The textile industry in India is highly fragmented and dominated by a large number of medium and small-scale unorganized players leading to high competition in the industry. Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles. The prices of raw materials and finished goods are also determined by global demand supply scenario. Hence, any shift in macroeconomic environment globally would have an impact on the domestic textile industry. Also, there is stiff competition from Bangladesh, Vietnam and Pakistan in terms of cotton exports. Exports of Indian cotton yarn to the European Union (EU) and China declined in the past years as the market share of Indian spinners has been taken over by Vietnam, as the nation enjoys duty-free access to the Chinese market. Hence, the domestic and export demand for yarn and textile remains crucial for the yarn manufacturers.

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Liquidity: Adequate

The liquidity profile of the company is adequate with gross cash accruals to the tune of Rs.6.82 crore during H1FY24 against scheduled full year debt repayment of Rs.6.75 crore in FY24 along with moderate average utilization of fund based working capital limits. The average utilization of CC limits remained moderate at 70-80%. Further the company has cash and bank balance of Rs.0.12 crores with lien marked FDR of Rs.0.58 crores as on March 31, 2023.

However, the operating cycle remained elongated at 89 days during FY23 primarily on account of inventory period. The company maintains high raw material inventory i.e. around 60-80 days owing to the seasonal nature of it and to ensure smooth production whereas it holds low level of finished goods inventory i.e. around 20 days due to order-based nature of sales. Overall, this results into inventory holding period of around 70 days in FY23 (average inventory holding period of 66 days in FY22). The company receives the limited credit period of around 4 to 7 days from its suppliers. The collection period improved on account of timely receipt of payment from its customers and stood 23 days in FY23.

Applicable criteria

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

A B Cotspin India Limited (ABCIL) was initially incorporated as Ganga Cotex Limited in 1997 and was engaged in the business of cotton ginning and extraction of cotton seed oil. The company was subsequently reconstituted under its current name in 2010. The company commenced cotton spinning operations in the year 2011 while it started manufacturing cotton fabrics in 2014. ABCIL operates from a single integrated manufacturing facility in Bathinda, Punjab at an installed capacity of 8500 Metric Ton PerAnnum (MTPA) of cotton, 4,290 MTPA of yarn, 441 MTPA of fabric and around 500 qts/day of crushing the seed of which it gets 9%-10% of oil in crushing, as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	140.69	169.10	111.02
PBILDT	14.30	10.44	11.31
PAT	6.82	1.88	1.98
Overall gearing (times)	0.37	1.76	2.04
Interest coverage (times)	6.61	2.98	2.76

A: Audited; UA: Un-Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickworks has conducted the review on the basis of the best available information and classified A B Cotspin India Limited as 'Not Co-operating' vide its press release dated March 30, 2022

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Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2031	0.00	Withdrawn
Fund-based - LT-Working Capital Limits		-	-	-	0.00	Withdrawn
Fund-based - ST-Working Capital Limits		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)CARE BBB-; Stable (04-Oct-22)	1)CARE BBB-; Stable (03-Mar-22)	1)CARE BB+; Stable (25-Mar-21)
2	Fund-based - ST-Working Capital Limits	ST	-	-	-	1)CARE A3 (04-Oct-22)	1)CARE A3 (03-Mar-22)	1)CARE A4+ (25-Mar-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (04-Oct-22)	1)CARE BBB-; Stable (03-Mar-22)	1)CARE BB+; Stable (25-Mar-21)

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Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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**For the detailed Rationale Report and subscription information,
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