Partap Spintex Private Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	44.82	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	2.33	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	15.37	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

While arriving at the rating of Partap Spintex Private Limited (PSPL), CARE has taken a combined view of PSPL, Partap Cotex Private Limited (PCPL) and Rama Cotspin Private Limited (RCPL), as the three companies (together referred to as 'Group') have common promoters, common management, and operational linkages.

The reaffirmation of the ratings assigned to the bank facilities of PSPL derives strength from average financial risk profile of the group marked by comfortable capital structure and moderate debt coverage indicators. The ratings also derive benefit from the large scale of operations with backword integration along with the experienced promoter group, and strong relations with customers. The ratings also take into cognizance the moderation in the operational performance marked by decline in scale of operations of the group coupled with subdued profitability primarily impacted due to subdued demand scenario driven by global factors and high competition from China. However, the rating remains constraint on account of low profitability margins with high debt repayments. The ratings also factor in susceptibility of the profitability margins due to raw material prices coupled with cyclical nature of the denim industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in net sales of the group above Rs. 700 crores along with a PBILDT margin of 12% on a sustained basis.
- Improvement in the capital structure marked by an overall gearing of below 0.40x.

Negative factors

- Reduction in net sales of the group below Rs. 450.00 crores along with a PBILDT margin of less than 4.00%.
- Deterioration in the capital structure of the group with Total Debt to PBILDT above 5.50x.

Analytical approach: Combined, the financial and business risk profiles of PSPL, PCPL and RCPL have been combined as the three companies (together referred to as 'Group') are in the same line of business, have operational and financial linkages, have common promoters and a common management team.

Outlook: Stable

CARE Ratings believes that the entity shall benefit from the experience of its promoters as well as through its reputed clientele.

Detailed description of key rating drivers:

Key strengths

Experienced promoters: The Bansal Family from Ambala (Haryana) promotes the Group. Initially involved in the Solvent Oil business, they expanded into the Textile Industry in FY 2006 (refers to April 01 to March 31). Surinder Paul Bansal, the Managing Director of PSPL has over 40 years of industrial experience. He is highly knowledgeable about the industry and its market. His son, Shubham Bansal, an MBA, has been involved in manufacturing since his college days and has over 15 years of experience. He actively manages the company's affairs as a director. Nandini Bansal, a graduate, has 8 years of experience in the textile industry.

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

Integrated nature of operations: The group is benefitted from its integrated operations as approximately 90% of yarn requirement for the manufacturing of denim fabric, is met through in house spinning capacities (Spinning Plant at Maur Mandi, Group Company Rama Cotspin Private Limited has spinning plant at Ambala & Partap Cotex Private Limited has spinning plant in Ahmedabad). Company has an integrated manufacturing unit comprising production facilities from spinning to fabric. The integration of the manufacturing facilities and product line, helps the company to bear any major fluctuation in raw material prices.

Established selling and distribution network: The group has been engaged in the manufacturing of cotton yarn since 2006 and in denim fabric since 2010. The Partap group has an established market position in the industry leading to an established customer base and supplier network for the group as well. On the customer side, for the denim segment, the group has a strong dealer network scattered across all major parts of India including Mumbai, Delhi, Kolkata, Ahmedabad, Ludhiana, etc. Wide network of dealers allows increased penetration as these dealers are associated with various other sub-dealers who then supply products to the end customers.

Average financial risk profile: The group's capital structure moderated in FY24, with an overall gearing of 0.87x as of March 31, 2024. The increase in total debt was due to higher working capital borrowings and bill discounting against LC's. Additionally, the interest coverage ratios moderated, with an interest coverage of 2.20x and TDGCA (Total debt to Gross Cash Accruals) of 6.20x as of March 31, 2024 (compared to 2.51x and 3.22x in the previous year), due to higher interest expenses and lower PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) and GCA (Gross Cash Accruals) in FY24. Despite this, the group's capital structure remains at comfortable levels and CARE expects company to maintain its average financial risk profile in short to medium term.

Key weaknesses

Moderation in operational performance: The Group's income from operations (after adjusting for inter-group transactions) decreased by approximately 22% in FY24 due to a slowdown in the industry caused by global unrest, significantly impacting the company's exports, especially to Europe. The PBILDT margin improved to 6.08% during FY24 (PY: 4.80%). However, due to relatively higher depreciation and interest cost, the group incurred net loss of Rs. 0.11 crore. However, cash accruals of the group stood adequate at Rs. 18.09 crore in FY24 as against Rs. 24.88 crore in FY23. As of October 15, 2024, the group's operations have shown improvement, with sales reaching Rs. 292.23 crore (before adjustment for inter-group transactions) and an increase in exports. Going forward, the scale of operations of the group is expected to further improve supported by export orders and expected reduction in cost of production as the group is setting up a solar power plant which will result into lower power cost.

Susceptibility of profitability margins to raw material prices: Cotton and cotton yarn are the key raw materials for the group. Being agriculture-based input; the operations of group are vulnerable to its inherent risks associated with Agri-based inputs prices. The prices of cotton have remained volatile in the past. However, the major raw material of the company is lower quality cotton and the is mainly the byproduct of other textile companies. Also, the company doesn't have policy of stocking the raw material inventory leading to lower raw material pricing risk.

Cyclicity associated with Denim industry: The denim fabric industry is highly cyclical in nature, with periods of excess capacity, followed by tight demand-supply conditions, because of the small gestation period in setting up a manufacturing unit. The industry is highly fragmented with the presence of both large and small players operating in the industry. The number of denim manufacturers offering a variety of value-added products has also increased over the years.

Liquidity: Adequate

The group has cash and liquid investments of Rs 0.23 crores as on March 31, 2024. The Current ratio of the group is 1.10x quick ratio of 0.58x as on March 31, 2024, as compared to 1.03x and 0.60x respectively as on March 31, 2023. The group has repayment obligations of Rs. 19.54 crores as against expected Gross Cash accruals of Rs. 27.57 crores. The operating cycle of the group during the year remain at 64 days. The average working capital utilisation for the trailing 12 months ending November 30, 2024, was also at 85%. The group is incurring capex to setup a solar power plant which will be funded through term loan and infusion of promoter's funds.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Policy on Default Recognition
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Cotton Textile
Short Term Instruments
Consolidation

About the company and industry\

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

PSPL is promoted by the Bansal Family in Ambala (Haryana). Initially, the promoters were engaged in the business of Solvent Oil and during FY06 the company ventured into the Textile Industry and commenced its first spinning plant at Maur Mandi, Bathinda (Punjab) with installed Capacity of 6500 MTPA. Later company moved forward in the value chain and set up its first Denim plant at village Mohra, Ambala in 2010 with an installed capacity of 10MMPA. Gradually, company expended its capacity at Ambala and also set up Denim plant at Dholka, Ahmedabad (Gujarat) and thus expanded its Denim manufacturing capacity to 72MMPA.

Brief Financials- PSPL Standalone (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	6.5MFY25* (UA)
Total operating income	496.52	384.55	212.04
PBILDT	17.39	16.98	12.16
PAT	2.88	-0.27	NA
Overall gearing (times)	0.51	0.85	NA
Interest coverage (times)	2.83	2.23	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results
*6.5MFY25 refers to the period April 01, 2024, to October 15, 2024

Combined Financials of PSPL, PCPL, and RCPL:

Brief Financials- Combined (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	6.5MFY25* (UA)
Total operating income	673.76	522.63	292.23
PBILDT	23.56	23.25	15.55
PAT	4.92	-0.11	NA
Overall gearing (times)	0.62	0.87	NA
Interest coverage (times)	2.51	2.20	NA

UA: Unaudited; NA: Not Available; Note: these are latest available financial results
*6.5MFY25 refers to the period April 01, 2024, to October 15, 2024

Basis for combination: The numbers have been combined through row-by-row addition of all line items of all the entities mentioned under Analytical approach after excluding intra-group transactions.

Status of non-cooperation with previous CRA: Brickwork has continued the ratings assigned to the bank facilities of PSPL into 'Issuer not-cooperating' category vide press release dated May 27, 2024, on account of non-availability of requisite information from the company.

Any other information: Not Applicable
Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	1.87	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	26.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	31/05/2029	16.95	CARE BBB-; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	0.37	CARE A3
Fund-based - ST-EPC/PSC	-	-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	2.33	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Letter of credit	-	-	-	-	10.00	CARE A3

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - ST-EPC/PSC	ST	5.00	CARE A3	-	1)CARE A3 (05-Jan-24)	1)CARE A3 (10-Feb-23)	-
2	Fund-based - LT-Cash Credit	LT	26.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Jan-24)	1)CARE BBB-; Stable (10-Feb-23)	-
3	Fund-based - ST-Bank Overdraft	ST	0.37	CARE A3	-	1)CARE A3 (05-Jan-24)	1)CARE A3 (10-Feb-23)	-
4	Fund-based - LT-Term Loan	LT	16.95	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Jan-24)	1)CARE BBB-; Stable (10-Feb-23)	-
5	Fund-based - LT-Bank Overdraft	LT	1.87	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Jan-24)	1)CARE BBB-; Stable (10-Feb-23)	-
6	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A3	-	1)CARE A3 (05-Jan-24)	1)CARE A3 (10-Feb-23)	-
7	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	2.33	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (05-Jan-24)	1)CARE BBB-; Stable / CARE A3 (10-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - ST-Bank Overdraft	Simple
5	Fund-based - ST-EPC/PSC	Simple
6	Non-fund-based - LT/ ST-Bank Guarantee	Simple
7	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91-22-67543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Kritika Goyal Analyst **CARE Ratings Limited** E-mail: kritika.goyal@careedge.in

About us:
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