

March 31, 2025

## Partap Industries Limited: Ratings reaffirmed; outlook revised to Positive and rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	15.00	15.00	[ICRA]A (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term – Fund-based – Term loans	21.64	51.74	[ICRA]A (Positive); reaffirmed/assigned for enhanced amount and outlook revised to Positive from Stable
Long-term/ Short-term – Unallocated limits	11.86	0.26	[ICRA]A (Positive)/[ICRA]A2+; reaffirmed and outlook revised to Positive from Stable
<b>Total</b>	<b>48.50</b>	<b>67.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

For arriving at the ratings, ICRA has taken a consolidated view of the entities of the Sudarshan Group (referred to as the Group, hereafter), namely Partap Industries Limited (PIL), Sudarshan Jeans Private Limited (SJPL), and Sudarshan Auto Industries Private Limited (SAIPL), given the strong operational, financial and managerial linkages between them.

The revision in the outlook on the long-term rating of the Group considers the likely improvement in its operational and financial performances over a medium term, supported by benefits derived from recently added capacities at the Amravati location, extensive experience of the promoters in the textile industry and its comfortable financial profile. The Group's revenues grew by 19.8% on a YoY basis in FY2024 to Rs. 1,226 crore and further by 6.9% in 9M FY2025 (on an annualised basis), supported by increase in production volumes from recently added denim capacities and increase in terry towel sales volumes. The Group's operating margins moderated by 32 bps to 8.5% in FY2024 due to stock losses of ~Rs. 8 crore from the heavy floods at one of PIL's units at Rajpura, Punjab, and operating losses posted by SAIPL. Nevertheless, its operating margins improved by 118 bps to 9.7% in 9M FY2025, supported by benefits of economies of scale, which is likely to sustain for the remainder of the year. Despite the recent debt-funded expansion undertaken by the Group, its financial profile is expected to remain comfortable in the medium term, supported by its conservative capital structure and healthy coverage indicators. The total debt to operating profit and interest coverage ratios stood at 1.9 times and 9.3 times, respectively, in FY2024. The ratings draw comfort from the capital subsidy receivable of ~Rs. 48 crore over the next three years, beginning from FY2026, towards investments in textile units under the Maharashtra Textile Policy; timely receipt of the subsidy remains a key monitorable. The ratings favourably consider the Group's diversified business profile (denim fabric, towel and cotton yarn) and backward integration within the value chain, which provide it an edge over competitors and allow the efficient management of the Group's cost structure. Further, established relationships with customers and geographical diversification in its presence also support the ratings.

The ratings, however, remain constrained by the inherent cyclicity associated with the textile sector and the vulnerability of its profitability to fluctuations in raw material prices (mainly cotton), any adverse changes in forex rates and the export incentive structure. Also, any downward revision in the financial incentives could adversely impact the Group's profitability and cash flows. ICRA notes that the Group has made capacity additions in its denim fabric segment, which had undergone a demand slowdown over the past few years. Further, any sharp decline in denim realisations or demand would adversely impact the Group's profitability. While the capital structure and coverage indicators are expected to remain comfortable, any major unanticipated debt-funded capex, going forward, could strain the capital structure and will be a key credit monitorable. The ratings are also constrained by the operating losses of SAIPL and the Group's continued support for funding requirements

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters in the textile industry** – Owned by the Punjab-based, Mr. Sudarshan Paul Bansal and family, the promoters have extensive experience in the textile industry. Mr. Bansal established the Group's first company, Partap Industries Limited, in 1991. In 2009, they floated their second company, Sudarshan Jeans Private Limited. Gradually, the Group expanded its spinning capacity to 44,280 MTPA, denim capacity to 49.8 MMPA and terry towel capacity to 24,000 MTPA. In October 2015, the Group incorporated Sudarshan Auto Industries Private Limited, which manufactures tyres under its own brand (SJR Tyres). The Group's manufacturing plants are at Rajpura (Punjab), Kolhapur, Indapur and Amravati (all in Maharashtra).

**Established relationships with customers** – The Group has an established network of distributors across the northern, central and eastern parts of India. Over the years, the Group has developed a strong client base in the domestic and export markets (such as US), which has been providing repeat business.

**Integrated nature of operations and diversified revenue streams** – The denim and terry towel plants of the Group are backward integrated into its in-house spinning capability, which caters to ~70% of its captive demand for raw materials. A diversified business and geographical presence have helped buffer the impact of demand slowdown in the denim segment over the years. The Group has a presence across cotton yarn, denim and towel businesses, which is likely to aid in its revenue growth, going forward. In FY2024, the terry towel segment generated around 48% of Group revenues, followed by the cotton yarn (~25%) and denim (~22%) segments.

**Comfortable financial risk profile** – The Group's financial profile is characterised by a healthy capital structure with total debt/TNW of 0.5 times in FY2024, supported by a strong net worth position and steady earnings. Despite some moderation in coverage indicators due to recent debt-funded capacity additions, the total debt/operating profits remained comfortable at 1.9 times and TOL/TNW at 0.6 times in FY2024. In addition, its coverage indicators remained healthy with interest coverage ratio and debt service coverage ratio of 9.3 times and 2.3 times, respectively, in FY2024. Further, with an expected increase in profitability over the medium term, supported by limited debt-funded expansions planned, coverage indicators are likely to remain healthy over the medium term. Further, the liquidity of the Group continues to draw comfort from the capital subsidy receivable against investments towards its manufacturing unit at Amravati.

### Credit challenges

**Exposed to demand slowdown in key export markets and cyclicity in the denim industry** – The Group's revenue and profitability remains exposed to demand slowdown in key export markets as witnessed in FY2023, owing to rising inflationary concerns and the resultant slowdown in discretionary consumer spending. Further, the denim industry has witnessed significant cyclicity in the past, with periods of excess market capacity and a tight demand-supply situation. With several capacity additions across the industry, driven by increased denim demand and lucrative Government incentives, denim supply has exceeded the demand growth at present, exposing the Group to an over-supply situation in the domestic market. Nevertheless, ICRA notes that the Group has increased its investments in FY2024 towards modernisation of machinery catering to the mid-upper denim segment, where demand has increased in recent years with higher profit margins, which provide comfort to an extent.

**Vulnerability of profitability to volatility in cotton yarn prices and fluctuations in forex rates** – The Group manufactures cotton yarn, denim fabric and terry towels. Cotton constitutes the major portion of the Group's total cost of production. Thus, it remains exposed to fluctuation in the prices of cotton owing to various agro-climatic reasons and Government policies (through minimum support price, or MSP), which result in volatile profitability. As exports account for around 20% of the Group's turnover, it remains exposed to foreign currency fluctuation risks due to its unhedged exposure.

**Vulnerability of profitability to changes in export incentive structure** – The Government of India (GoI) extends various export incentives to encourage exporters and support their operating profit margins. Thus, any change in the GoI’s incentives to exporters, or in the regulatory policies of the Group’s importing countries, can adversely impact its profitability and cash flows.

## Environmental and Social Risks

**Environmental considerations:** The Group is heavily exposed to climate-change risks given that the supply of its key input, cotton, is a water-intensive crop responsible for soil degradation, which has adverse implications from the sustainability perspective of a critical natural resource. Also, the textile industry pollutes air and water through various activities like usage of pesticides and manufacturing processes like dyeing and bleaching. While these environmental factors naturally pose supply-side risks, the demand-side risks are largely protected, given cotton’s large applicability as a natural fibre in the textile sector. From the long-term perspective, however, the focus on growing organic cotton that needs less water could partially mitigate the environmental risks that the Group remains exposed to. Nonetheless, the adverse effects of these risks are partially mitigated by the water treatments undertaken by the Group and various certifications like ISO 9001:2015 received by it.

**Social considerations:** In general, exposure of textile-based entities to social risks is not material. As textile units are labour intensive, the key source of social risk is how human capital aspects are managed. Over the years, the Group has demonstrated a track record of managing its labour requirements well, both in terms of their sufficiency as well as their safety and overall well-being. Shortage of skilled workers or protests/conflicts with local communities could also affect the operations/growth plan of industry players and remains a key concern

## Liquidity position: Adequate

The Group’s liquidity is expected to remain adequate, supported by its steady earnings from operations and unutilised lines of credit. The Group has buffer available in working capital limits of Rs. 54.4 crore, as of February 28, 2025. The average utilisation of fund-based working capital limits stood at 43.4% during the past 12 months ending in February 2025. The Group’s cash accruals are likely to remain healthy in the range of Rs. 95-100 crore in FY2025. The Group has received capital subsidy of ~Rs. 35 crore in Q1 FY2025 and had prepaid term loans of Rs. 12.7 crore in 9M FY2025, utilising the capital subsidy. Additionally, it has a capital subsidy receivable for ~Rs. 48 crore over FY2026-FY2028. Against these cash sources, the Group has repayment obligations of Rs. 63.3 crore in FY2025 (including loan prepaid for Rs. 12.7 crore in 9M FY2025) and Rs. 36.8 crore in FY2026. Further, the Group’s healthy free cash flows and absence of any major capex plans in the medium term would continue to provide comfort to its liquidity position.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the Group demonstrates a significant improvement in scale, profitability and liquidity while maintaining comfortable debt coverage metrics on a sustained basis.

**Negative factors** – ICRA could revise the outlook to Stable or downgrade the Group’s ratings if there is a sharp decline in revenue and profitability as well as weakening in its liquidity position on a sustained basis. Any unanticipated large debt-funded capex that may put pressure on the cash flow or Total debt/OPBDITA above 1.8 times, on a sustained basis, could result in ratings downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Textiles - Fabric</a> <a href="#">Textiles - Spinning</a>
Parent/Group support	Not applicable

## Consolidation/Standalone

For arriving at the ratings, ICRA has taken a consolidated view of the three entities in the Sudarshan Group, given the strong operational, financial and managerial linkages between these entities. The details have been given in Annexure II.

## About the Group

Owned by the Punjab-based, Mr. Sudarshan Paul Bansal and family, the Sudarshan Group comprises Partap Industries Limited, Sudarshan Jeans Private Limited and Sudarshan Auto Industries Private Limited. Mr. Sudarshan Bansal, along with his family, holds a 100% equity stake in PIL. Further, PIL holds a 40.32% equity stake in SJPL, while the remaining stakes rest with the Bansal family. Both PIL and SJPL manufacture cotton yarn, denim fabric and terry towels. PIL also holds a 99.5% equity stake in SAIPL, which manufactures rubber tyres under its own brand.

## About the company

PIL is a part of the Sudarshan Group. PIL commenced operations of its first spinning unit in Rajpura (Punjab), in 2002, with an installed capacity of 3,000 MTPA of cotton yarn. In 2005, it installed another spinning unit with a capacity of 3,500 MTPA of cotton yarn. In 2006, PIL strengthened its forward integration with the supply chain by setting up a denim fabric manufacturing unit in Rajpura. The plant's initial manufacturing capacity was 10 MMPA, which increased to 20 MMPA in 2008. The company has been utilising almost the entire spinning capacity for its captive consumption. In FY2012, the company undertook a greenfield project in Kolhapur for an open-ended yarn plant with a manufacturing capacity of 8,050 MTPA for cotton yarn and a towel plant with a manufacturing capacity of 7,000 MTPA. In 2018, PIL set up a new ring-frame spinning unit at Amravati for manufacturing fine-quality cotton yarn (40s counts) with an installed capacity of 5,250 MTPA. During FY2024 and H1 FY2025, PIL has added a denim fabric manufacturing facility of 12 MMPA at its Amravati unit. At present, PIL has a total operational capacity of 22.8 MMPA for denim, ~6,000 MTPA for terry towels and 10,080 MTPA for cotton yarn.

## Key financial indicators (audited)

	PIL <sup>^</sup>			Consolidated		
	FY2023	FY2024	9M FY2025*	FY2023	FY2024	9M FY2025*
Operating income	439.9	373.2	425.6	1024.3	1226.7	995.5
PAT	14.7	-8.9	4.1	34.9	40.0	36.8
OPBDIT/OI	7.4%	0.3%	5.8%	8.9%	8.5%	9.7%
PAT/OI	3.3%	-2.4%	1.0%	3.4%	3.3%	3.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.7	0.7	0.4	0.6	0.5
Total debt/OPBDIT (times)	0.3	66.2	2.3	1.2	1.9	1.4
Interest coverage (times)	13.7	0.5	4.8	19.6	9.3	8.6

Source: Company, ICRA Research; Amount in Rs. crore, PAT: Profit after tax; \*provisional; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; all ratios computed as per ICRA calculations; <sup>^</sup> consolidated financials of PIL & SAIPL

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instruments	Current (FY2025)			Chronology of rating history for the past 3 years						
	Type	Amount Rated (Rs Crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loans	Long Term	51.74	March 31, 2025	[ICRA]A (Positive)	Feb 28, 2024	[ICRA]A (Stable)	Nov 17, 2022	[ICRA]A (Stable)	Oct 7, 2021	[ICRA]A-(Stable)
									Jul 5, 2021	[ICRA]BBB+(Stable)
Fund based – Cash credit	Long Term	15.00	March 31, 2025	[ICRA]A (Positive)	Feb 28, 2024	[ICRA]A (Stable)	Nov 17, 2022	[ICRA]A (Stable)	Oct 7, 2021	[ICRA]A-(Stable)
									Jul 5, 2021	[ICRA]BBB+(Stable)
Unallocated limits	Long term / Short term	0.26	March 31, 2025	[ICRA]A (Positive) / [ICRA]A 2+	Feb 28, 2024	[ICRA]A (Stable)/ [ICRA]A2+	Nov 17, 2022	[ICRA]A (Stable)/ [ICRA]A2+	Oct 7, 2021	[ICRA]A-(Stable)/ [ICRA]A2+
									Jul 5, 2021	[ICRA]BBB+(Stable) / [ICRA]A2
Unallocated	Long-term	-	-	-					Oct 7, 2021	[ICRA]A-(Stable)
									Jul 5, 2021	[ICRA]BBB+(Stable)
Bank guarantee	Long-term / Short-term	-	-	-					Oct 7, 2021	[ICRA]A-(Stable)/ [ICRA]A2+
									Jul 5, 2021	[ICRA]BBB+(Stable)/ [ICRA]A2

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Cash credit	Simple
Long term – Fund based – Term loan	Simple
Long term/Short-term- Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Term loans	FY2024-FY2025	NA	FY2028-FY2029	51.74	[ICRA]A (Positive)
NA	Fund-based – Cash credit	NA	NA	NA	15.00	[ICRA]A (Positive)
NA	Unallocated limits	NA	NA	NA	0.26	[ICRA]A (Positive) / [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Partap Industries Limited (PIL)	100.00%	Full Consolidation
Sudarshan Auto Industries Private Limited (SAIPL)	99.50%	Full Consolidation
Sudarshan Jeans Private Limited (SJPL)	40.32%	Full Consolidation

Source: Company; 100% stake in PIL held by the promoters. PIL holds 40.32% stake in SJPL, rest held directly by the promoters. PIL holds 99.5% stake in SAIPL, rest held directly by the promoters

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