

P.B. Cotton & Oil Industries

Instrument	Amount	Rating Action
Cash Credit	Rs 7.00 crore	[ICRA]B reaffirmed
Term Loan	Rs 1.21 crore (reduced from Rs. 1.90 crore)	[ICRA]B reaffirmed
Unallocated Limits	Rs. 0.69 crore	[ICRA]B reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced ICRA B) assigned to the Rs 7.00 crore* cash credit facility and Rs. 1.21 crore (reduced from Rs. 1.90 crore) term loan facility of P. B. Cotton & Oil Industries (PBCOI)[†]. ICRA has also reaffirmed the long term rating of [ICRA]B for the Rs. 0.69 crore unallocated limits of PBCOI.

The reaffirmation of the rating continues to take into account weak financial risk profile of P.B. Cotton & Oil Industries (PBCOI). It is characterised by low profitability, weak return indicators and debt protection metrics coupled with moderate scale of firm's operations as well as vulnerability of firm's profitability to adverse movements in raw material prices which are subject to seasonality and crop harvest. The rating also takes into account the limited value additive nature of firm's operations, the highly competitive and fragmented industry structure given the low entry barriers as well as the exposure to regulatory risks with regard to MSP for raw cotton and cotton exports. ICRA also takes note of PBCOI's constitution as a partnership concern and the risks inherent in a partnership firm with respect to capital withdrawals and its potential impact on credit profile as well as on continuity of organization.

The rating, however, continues to favorably take into account the experience of the partners, the firm's favorable location in Halvad, Gujarat- an area with easy availability of raw cotton and the moderately diversified product profile due to presence in the crushing operations.

Company Profile

P.B. Cotton & Oil Industries (PBCOI) was established as a partnership firm in 2012 and is engaged in cotton ginning, pressing and oilseeds crushing operations. The promoters of the firm have past experience in cotton ginning and pressing industry through their earlier association with other firms as partners or as key operating personnel. The firm commenced oil crushing operations from January 2013 and the cotton ginning and pressing operations from October 2013.

Recent Results

For the year ended March 31, 2015, PBCOI reported an operating income of Rs. 32.50 crore and a profit before tax of Rs 0.20 crore as against operating income of Rs. 14.47 crore and profit before tax of Rs. 0.04 crore in FY14. Further, the firm has reported an operating income of Rs. 19.82 crore and profit after tax of Rs. 0.19 crore during 9MFY16.

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* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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