



**Press Release**  
**Shivkrupa Cotspin Private Limited**  
**February 16, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	112.40	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	3.60	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	116.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 116.00 Cr. bank facilities of Shivkrupa Cotspin Private Limited (SCPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation:**

The rating reaffirmation considers long standing experience SCPL's promoters, established relations with its suppliers and customers, and stable operating performance during FY23. SCPL reported revenue of Rs. 84.47Cr in FY23 against Rs.85.83Cr in the previous year. The operating margins improved to 17.53 percent during FY23 primarily supported by better realizations for yarn. The company has sustained its growth in revenue and profitability in the current year with ~Rs.46Cr revenue & EBITDA margin of ~22 percent in 7MFY2024 supported by higher sale volumes and improved realizations.

Further the operations of the company are expected to improve over the medium term as the capex is expected to be fully operational from February 2024. Despite the debt infusion towards the capex, financial risk profile is expected to marginally deteriorate owing to healthy network of the company. Going forward the company's ability to scale up its operations while maintaining its profitability and financial risk profile will remain a key rating monitorable.

**About the Company**

Chopda, Maharashtra based Shivkrupa Cotspin Private Limited was incorporated in 2017. The Directors of the company are Mr. Sunil Mohanlal Agrawal, Mr. Ashish Mohanlal Agrawal, Mr. Ghansham Omkarlal Agrawal, Mr. Karan Ghanshyam Agrawal and Mr. Aditya Sunil Agrawal. The company is engaged in manufacturing of cotton yarn of varied count pattern.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of SCPL to arrive at this rating.

## Key Rating Drivers

## Strengths

### **Stable operations backed by promoters extensive experience in the industry:**

SCPL was incorporated in 2017 and is engaged in the manufacturing of cotton yarn. The company is promoted by Agrawal family who have more than two decades of experience in the textile industry. The top management is ably supported by a well-qualified and experienced team of second line of management. The company has integrated operations across the textile value chain and undertakes spinning of cotton. The company sells its products to manufacturers majorly across India and exports its product by methods of third party deemed exports. Owing to the established business relationships and dynamic strategies with high demand, the company has reported stable revenues of Rs.84.47Cr in FY23 against Rs.85Cr of previous year. The company is currently fully utilizing its production capacity resulting in range bound operating income however, the capex of additional 21,888 spindles is expected to generate incremental revenues in the range of Rs.130-150Cr every year starting from FY25. Further, SCPL's EBITDA margin stood healthy at 17.53 percent in FY23 against 15.65 percent in previous year. The growth in operating margin is attributable to reduction in raw material cost, and better realizations for the quality yarn produced by the company supported by their extensive relationship with the customers.

The company has sustained growth in operations during the current year with a revenue of ~Rs.45Cr and EBITDA margin of ~22 percent in 7MFY2024. backed by higher sales volumes, steady demand and improved realizations of yarn. With the capex being operational for only 2 months in the FY24, the company is expected to register revenue in the range of Rs.90-96Cr with healthy EBITDA margin of 17-18 percent by the end of FY24.

Acuité believes that the company will continue to derive benefit from its promoter's experience, its established presence in cotton industry.

### **Efficient working capital operations:**

Working capital operations of the company are efficient which is reflected by the Gross current assets days of 59 during FY23 supported by healthy relations with the suppliers and customers. The debtor days stood below 5 days for the last three financial years reflecting the company's efficient collection mechanism. The creditor days also stood less than 5 days during past 3 years. Generally, the company maintains raw material and finished goods inventory of 2 months reflecting in its inventory days of 63 days for FY23. The efficient working capital operations have led to low dependency on its fund based working capital limits. The fund based limits utilization stood at an average of 35 percent during the past 12 months ending December 2023.

Acuite believes that working capital operations of the company will remain efficient over the medium term on account healthy relations with its suppliers and customers.

## Weaknesses

### **Moderate financial risk profile**

SCPL's financial risk profile is moderate, marked by moderate net worth, capital structure and debt protection metrics. Company's net worth stood at Rs. 35.64 Cr as on March 31, 2023 as compared to Rs. 8.00 Cr as on March 31, 2022. Improvement in net worth is on account of infusion of capital worth Rs.3.4Cr by the promoters, Securities premium of Rs.9.35Cr and accretion for profits to reserves. Further, the company has added of Rs.9.27Cr in reserves from the adjustments made in its depreciation method from written down value (WDV) to Straight Line Method (SLM). After excluding the non-cash item of surplus depreciation worth Rs.9.27Cr from reserves, net worth stood at Rs.26.35Cr and debt to equity stood at 1.05 times for FY23.

SCPL's capital structure is moderate marked with improved gearing and total outside liabilities to total net worth (TOL/TNW) of 0.78 times and 0.93 times respectively as on March 31, 2023 as against 4.51 times and 4.81 times as on March 31, 2022. The coverage indicators remained healthy with DSCR of 1.79 times as on March 31st 2023 as against 2.21 times as on March 31st 2022. Interest coverage stood at 6.29 times as on March 31st 2023 as against 4.63 times as on March 31st 2022. Debt to EBITDA has improved to 1.83 times during FY23 from 2.63 times during

previous year.

Acuite believes that despite the debt funded capex, the financial risk profile of the company is expected to marginally deteriorate taking support from the improving scale of operations and expected improvement in profitability.

### **Highly competitive industry & fluctuation in raw material prices impacting profitability**

The Company is operating in highly competitive and fragmented textile industry. It is exposed to intense competition from several players operating in the industry. SCPL's income is derived from manufacturing yarn which is vulnerable to the intense competitive pressures and the cyclical nature inherent in the domestic textile industry. SCPL's profitability margins are susceptible to fluctuations in the prices of major raw material i.e. Raw cotton. Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Furthermore, any abrupt change in cotton prices due to supply demand scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of the company across the cotton value chain.

Acuite believes that the company's profitability margins will remain a key rating sensitivity as the same is susceptible of volatility in raw cotton prices, since the industry is highly commoditized.

### **Rating Sensitivities**

- Scaling up of operations post capacity expansion, while maintaining profitability.
- Deterioration in financial risk profile due to debt funded capex.

### **Liquidity Position : Adequate**

SCPL has adequate liquidity which is evident from sufficient net cash accruals (NCA) against debt repayment obligations. The company has reported Net Cash Accruals (NCA's) of Rs.8.05Cr on March 31, 2023 against debt repayment obligations of Rs.3.42Cr. The cash accruals are estimated to remain in the range of Rs.15-25Cr in the medium term against debt repayment in the range of Rs.0.42Cr – 12.25Cr for the same period.

The unencumbered cash and bank balances stood at Rs.0.23Cr as on March 31, 2023. Adequate cash accruals and efficient working capital operations have led to low reliance on the fund based working capital limits which remained utilized in the range of ~35 percent during the past 12 months ending December, 2023. Acuite believes that liquidity position of the company will remain adequate in the medium term on account of sufficient NCA generation against its repayment obligations

### **Outlook: Stable**

Acuite believes that SCPL will continue to benefit over the medium term from the promoter's experience and established track record in the aforementioned industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales while improving its liquidity and financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue and profitability.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	84.47	85.83
PAT	Rs. Cr.	5.62	5.26
PAT Margin	(%)	6.65	6.13
Total Debt/Tangible Net Worth	Times	0.78	4.51
PBDIT/Interest	Times	6.29	4.63

### Status of non-cooperation with previous CRA (if applicable)

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2023	Working Capital Term Loan	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.26	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	79.85	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	17.25	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.64	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.60	ACUITE A3   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	31 Jan 2021	Not avl. / Not appl.	31 Dec 2024	Simple	1.21	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 Jan 2022	Not avl. / Not appl.	31 Dec 2026	Simple	4.57	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.64	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	31 Jan 2019	Not avl. / Not appl.	30 Mar 2028	Simple	12.98	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2033	Simple	68.00	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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