



Press Release
SHIVKRUPA COTSPIN PRIVATE LIMITED
May 16, 2025
Rating Upgraded and Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-----------------------|
| Bank Loan Ratings | 87.80 | ACUITE BBB Stable Upgraded | - |
| Bank Loan Ratings | 26.00 | Not Applicable Withdrawn | - |
| Bank Loan Ratings | 2.20 | - | ACUITE A3+ Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 90.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 26.00 | - | - |

Rating Rationale

Acuité has upgraded its long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple B**) from ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and short-term rating to ‘**ACUITE A3+**’ (read as **ACUITE A three plus**) from ‘**ACUITE A3**’ (read as **ACUITE A three**) on Rs. 90.00 Cr. bank facilities of Shivkrupa Cotspin Private Limited (SCPL). The outlook is ‘**Stable**’.

Acuité has withdrawn its long-term rating on Rs. 5.78 Cr. bank facilities of Shivkrupa Cotspin Private Limited (SCPL) without assigning any rating as the instruments are fully repaid. The rating is being withdrawn on account of request received from the company and No Dues Certificate received from the banker.

Acuité has withdrawn its proposed long-term rating on Rs. 20.22 Cr. bank facilities of Shivkrupa Cotspin Private Limited (SCPL) without assigning any rating as the instrument is a proposed facility. The rating is being withdrawn on account of request received from the company.

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating as applicable to the respective facility / instrument.

Rationale for rating

The rating upgrade takes into consideration the significant improvement in the operating performance of the company in FY25 post successful commercialisation of operations under the recent capex, improved profitability margins and efficient working capital management. Further, the rating factors in the established track record of operations along with the long-standing experience of the management in the cotton industry. However, these strengths are partially offset by moderate financial risk profile driven by the capex debt and inherent cyclicality in the cotton industry.

About the Company

Incorporated in 2017, Shivkrupa Cotspin Private Limited (SCPL) is a Chopda (Jalgaon district), Maharashtra based company, engaged in spinning of cotton bales into cotton yarn of varied count pattern, especially 30s count. Currently, the company has a total capacity of producing 80,000 quintals of cotton yarn per annum with 14,592 spindles (Unit I) for carded cotton yarn and 21,888 spindles (Unit II) for combed cotton yarn. The present directors of the company are Mr. Ghanshyam Onkarlal Agrawal, Mr. Sunil Mohanlal Agrawal, Mr. Ashish Mohanlal Agrawal, Mr. Aditya Sunil Agrawal, and Mr. Karan Ghanshyam Agrawal.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive experience of the promoters

The company is promoted by Agrawal family who have more than two decades of experience in the cotton industry. The top management is ably supported by a well-qualified and experienced second generation in the business. The company sells the cotton yarn to weaving units across India and also exports its product by methods of third party deemed exports. The company expanded its capacity of combed cotton yard (Unit II) in FY24, built at a total cost of Rs. 118 Cr. funded through debt of Rs. 68 Cr. and balance through internal accruals.

Improved operating performance on account of increase in capacity

The company reported a revenue of Rs. 183.29 Cr. in FY25 (Prov.), marking a significant increase of ~90% y-o-y from Rs. 95.68 Cr. (including subsidy of Rs. 6.36 Cr.) in FY24. This growth is attributable to the commencement of operations under unit II along with growing demand of cotton in the fibre industry. The company's operating margins (excluding subsidy amount) have also improved to 13.97 percent in FY25 (Prov.) as compared to 11.99 percent in FY24 on account of improving efficiency in operations and higher margins in the combed cotton yarn. The company's net profitability stood declined at 5.40 percent in FY25 (Prov.) as against 7.44 percent in FY24, owing to the increase in the interest cost and depreciation charged post capex. Further, the company is also eligible to receive industrial and textile subsidies for both the units and has received Rs. 11.22 Cr. from FY23 till date.

Efficient working capital operations

The company's working capital operations are efficient in nature marked by gross current assets (GCA) of 58 days as on March 31, 2025 (Prov.), improved from 81 days as on March 31, 2024. The improvement in GCA days primarily owes to lower inventory levels that stood at 61 days as on March 31, 2025 (Prov.) as against 83 days as on March 31, 2024. The company maintains raw material stock for an average period of 60-75 days. Further, the locational advantage at Jalgoan district, a rich cotton growing area supports the operations, having no downtime due to lack of raw materials. Moreover, payments to suppliers and receipts from customers is on immediate basis. Therefore, the debtor days stood low at 4 days in FY25 (Prov.) (3 days in FY24) and the creditor days stood at 5 days in FY25 (Prov.) (3 days in FY24). Hence, the company manages the working capital requirements efficiently from the internal cash accruals and the company's reliance on working capital limits is moderate marked by average utilisation of fund-based limits at ~48 percent for the last six months ended March 2025.

Acuité 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 driven by capex debt

The net worth of the company stood at Rs. 56.93 Cr. as on March 31, 2025 (Prov.) as against Rs. 42.76 Cr. as on March 31, 2024, owing to the accretion of profits to reserves. Also, Acuité has considered unsecured loans of Rs. 4.26 Cr. as on March 31, 2025 as a part of quasi equity on account of receipt of management's undertaking to the lender. However, the total debt of the company stood high at Rs. 82.21 Cr. which includes long-term borrowing of Rs. 76.24 Cr. towards the capex and short-term loan of Rs.5.97 Cr. as on March 31, 2025 (Prov.). Therefore, the gearing (debt-equity) stood moderate at 1.44 times as on March 31, 2025 (Prov.) (1.91 times as on March 31, 2024). Further, the debt protection metrics declined with interest coverage ratio of 3.15 times in FY25 (Prov.) as against 7.39 times in FY24 and debt service coverage ratio at 1.52 times in FY25 (Prov.) as against 4.42 times in FY24.

Acuité expects the financial risk profile to improve over the medium term driven by increasing cash accruals, focus on debt prepayment through subsidy receipts and no further debt funded capex.

Susceptibility to fluctuations in raw material prices and highly competitive industry

SCPL's profitability margins are susceptible to fluctuations in the prices of raw material i.e., cotton bales. Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon and the climatic conditions. Furthermore, any abrupt change in cotton prices due to supply demand scenario or government regulations of changes in minimum support price can lead to distortion of prices and affect the profitability of the company across the cotton value chain. Further, the company is operating in a fragmented textile industry and is exposed to intense competition from several players operating in the industry.

Rating Sensitivities

- Continued growth in scale of operations at stable margins and efficient working capital management
- Deterioration in the financial risk profile
- Significant fluctuation in the raw material price affecting the profitability

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals of Rs. 17.47 Cr. in FY25 (Prov.) as against long term debt repayment of Rs. 8.69 Cr. over the same period. Going forward, the company is estimated to generate net cash accruals in the range of Rs. 18-22 Cr. from FY26 to FY27 to repay its maturing debt obligation in the range of Rs. 11-14 Cr. for the same period. The company's reliance on working capital limits is moderate, marked by average utilisation of fund-based limits at ~48 percent for the last six months ended March 2025. The current ratio of the company stood at 1.63 times as on March 31, 2025 (Prov.) and the cash and bank balances of the company stood at Rs. 0.08 Cr. as on March 31, 2025 (Prov.). Also, the company maintained unencumbered liquid funds of Rs. 0.45 Cr. as on March 31, 2025 (Prov.).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 25 (Provisional) | FY 24 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 183.29 | 95.68 |
| PAT | Rs. Cr. | 9.90 | 7.12 |
| PAT Margin | (%) | 5.40 | 7.44 |
| Total Debt/Tangible Net Worth | Times | 1.44 | 1.91 |
| PBDIT/Interest | Times | 3.15 | 7.39 |

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|----------------------------------|------------|-----------------|-----------------------------------|
| 16 Feb 2024 | Bank Guarantee (BLR) | Short Term | 3.60 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 3.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Covid Emergency Line. | Long Term | 1.21 | ACUITE BBB- Stable (Reaffirmed) |
| | Covid Emergency Line. | Long Term | 4.57 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Cash Credit | Long Term | 12.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 10.64 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 12.98 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 68.00 | ACUITE BBB- Stable (Reaffirmed) |
| 20 Jan 2023 | Cash Credit | Long Term | 3.00 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 17.25 | ACUITE BBB- Stable (Assigned) |
| | Covid Emergency Line. | Long Term | 1.64 | ACUITE BBB- Stable (Assigned) |
| | Covid Emergency Line. | Long Term | 5.00 | ACUITE BBB- Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 9.00 | ACUITE BBB- Stable (Assigned) |
| | Proposed Long Term Loan | Long Term | 79.85 | ACUITE BBB- Stable (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 0.26 | ACUITE BBB- Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---|
| State Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.20 | Simple | ACUITE A3+ Upgraded (from ACUITE A3) |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 15.00 | Simple | ACUITE BBB Stable Upgraded (from ACUITE BBB-) |
| State Bank of India | Not avl. / Not appl. | Covid Emergency Line. | 31 Jan 2021 | Not avl. / Not appl. | 31 Dec 2024 | 1.21 | Simple | Not Applicable Withdrawn |
| State Bank of India | Not avl. / Not appl. | Covid Emergency Line. | 01 Jan 2022 | Not avl. / Not appl. | 31 Dec 2026 | 4.57 | Simple | Not Applicable Withdrawn |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.64 | Simple | ACUITE BBB Stable Upgraded (from ACUITE BBB-) |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 20.22 | Simple | Not Applicable Withdrawn |
| State Bank of India | Not avl. / Not appl. | Term Loan | 31 Jan 2019 | Not avl. / Not appl. | 30 Mar 2028 | 12.98 | Simple | ACUITE BBB Stable Upgraded (from ACUITE BBB-) |
| State Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Jan 2033 | 59.18 | Simple | ACUITE BBB Stable Upgraded (from ACUITE BBB-) |

Contacts

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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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