Press Release
GAJAVELLI SPINNING MILLS PRIVATE LIMITED
October 16, 2025
Rating Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	95.83	ACUITE BB | Upgraded & Withdrawn	-
Bank Loan Ratings	4.17	Not Applicable | Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has upgraded and withdrawn long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE C' (read as ACUITE C)** on the Rs.95.83 crore bank facilities of Gajavelli Spinning Mills Private Limited (GSMPL). The rating has been withdrawn on account of the request received from the company along with No Objection Certificate received from the banker.

Further, Acuite has withdrawn the long term rating on the Rs.4.17 Cr. bank loan facilities of Gajavelli Spinning Mills Private Limited (GSMPL) without assigning any rating as it is a proposed facility. The rating has been withdrawn on account of the request received from the company.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 account the curing period of the earlier delay/default in servicing debt obligations of July 2024.
The rating is supported by the longstanding presence in the industry, a favourable location, and established relationships with both customers and suppliers. These strengths partially mitigate concerns driven by the company's moderate scale and profitability. Other limiting factors include stretched liquidity, a moderate capital structure, marginally weak debt coverage indicators, and an elongated operating cycle. The highly competitive and fragmented nature of the industry also leaves GSMPL's profitability vulnerable to volatile cotton prices.

About the Company

Gajavelli Spinning Mills Private Limited (GSMPL) was Incorporated On 25th April 2006 With A Registered Office At Guntur, Andhra Pradesh. Mr. G. Venkateswara Rao And Mr. G. Poornachandra Rao Are The Founder Directors Of The Company. The Company Is Engaged In The Processing Of Cotton Bales To Cotton Yarn At Its Manufacturing Unit At Chebrolu, Guntur District, Andhra Pradesh. The Company Is Equipped With Automated Yarn Manufacturing Machines With 35,184 Spindles To Manufacture Yarn Counts Ranging From 20s To 60s Both In Carded And Combed Yarns. GSMPL Is Directed By Mr. Naveen Kumar Gajavelli, Mr. Nageswara Rao Gajavelli And Mr. Praveen Gajavelli.

Not Applicable

Analytical Approach
Acuite has considered standalone business risk profile and financial risk profile of GSMPL to arrive at this rating.

Key Rating Drivers

Strengths
Longstanding in the industry with established track record of operations
The entity has a business vintage of more than 18 years and strong customer and supplier base, which is expected to significantly support the company's growth and operations. Additionally, the manufacturing facility of GSMPL is located in Guntur district of Andhra Pradesh, which is a major cotton cultivating district in Andhra Pradesh. GSMPL majorly procures cotton Lint from ginners in the surrounding locality which lowers its Procurement cost (both on the transportation and storage) & provides ready availability of raw materials.

Moderate scale of operations
The company has witnessed the growth in the revenue from operations by ~11.80% which stood at Rs. 172.49 Cr. in FY25 (prov.) against Rs. 154.28 Cr. in FY24. The improvement in revenue is due to increase in the volume sales. Operating margin of the company stood at 4.83% in FY25 (prov.) against 5.03% in FY24. The slight decline in the operating margin of the company is due to the increase in raw material cost. The Net margin stood at 0.36% in FY25 (prov.) against 0.37% in FY24. Additional company has achieved the revenue of Rs. 62.29 Cr. in 5MFY26.

Weaknesses
Moderate Financial Risk Profile
GSMPL' financial risk profile continued to remain moderate marked by tangible net worth of the company stood at Rs. 59.72 crore as on March 31, 2025 (prov.) against Rs. 59.19 crore as on March 31, 2024. The improvement is on account of accretion of profit to reserves. The gearing of the company stood at 0.84 times as on March 31, 2025 (prov.) against 1.37 times as on March 31, 2024. Interest coverage ratio stood at 1.62 times for FY25 (prov.) as against 1.88 times in FY24. Debt Service coverage ratio stood below unity at 0.87 times for FY25 (prov.) as against 0.80 times in FY24. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.99 times as on March 31, 2025 (prov.) as against 1.52 times as on March 31, 2024. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on March 31, 2025 (prov.) against 0.04 times as on March 31, 2024.

Intensive Working capital operations
The working capital operations of the company are intensive, marked by GCA days of 158 days in FY25 (prov.) against 253 days in FY24. There is an improvement in the GCA days due to the inventory days of the company, which stood at 63 days in FY25 (prov.) against 160 days in FY24. The debtor days of the company stood at 26 days in FY25 (prov.), and creditor days stood at 3 days in FY25 (prov.).

Exposure to intense competition in the cotton yarn industry
The cotton yarn industry is highly commoditized. As a result, no single player can influence prices. The high degree of fragmentation and commoditized nature has caused intense competition among spinning companies. Entry barriers in cotton business are low on account of limited capital and technology requirements and low differentiation in end product. This leads to intense competition and limits players' pricing power, resulting in low profitability. Since cotton is an agricultural commodity, its availability is limited and primarily depends on the monsoon.

Rating Sensitivities
Not Applicable

Liquidity Position
Stretched

The liquidity profile of the company is stretched. The net cash accruals of company stood at Rs. 3.28 Cr. in FY25 (prov.) against debt obligation of Rs. 4.53 Cr, for the same period. The shortfall were met by managing working capital cycle to meet debt repayments timely. The company has cash & bank position of Rs. 0.06 Cr. and current ratio stood at 1.57 times for FY25 (prov.). The average fund based bank limit utilization is at 87.14% for the 9 months' period ending August 2025.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	172.49	154.28
PAT	Rs. Cr.	0.62	0.57
PAT Margin	(%)	0.36	0.37
Total Debt/Tangible Net Worth	Times	0.84	1.37
PBDIT/Interest	Times	1.62	1.88

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
- 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
11 Oct 2024	Proposed Cash Credit	Long Term	4.17	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Term Loan	Long Term	0.53	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Term Loan	Long Term	7.49	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Covid Emergency Line.	Long Term	3.11	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Covid Emergency Line.	Long Term	4.70	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Cash Credit	Long Term	50.00	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
	Cash Credit	Long Term	30.00	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE BB+ | Stable)
28 Jul 2023	Proposed Cash Credit	Long Term	4.17	ACUITE BB+ | Stable (Assigned)
	Term Loan	Long Term	0.53	ACUITE BB+ | Stable (Assigned)
	Term Loan	Long Term	7.49	ACUITE BB+ | Stable (Assigned)
	Covid Emergency Line.	Long Term	3.11	ACUITE BB+ | Stable (Assigned)
	Covid Emergency Line.	Long Term	4.70	ACUITE BB+ | Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB+ | Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BB+ | 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
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2027	3.11	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	4.70	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.17	Simple	Not Applicable | Withdrawn
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Nov 2025	0.53	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	7.49	Simple	ACUITE BB | Upgraded & Withdrawn (from ACUITE C)

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About Acuité Ratings & Research

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