



Press Release
VINOD TEXSPIN LLP
November 22, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.27	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	55.27	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) and short-term rating of ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs. 55.27 Cr. bank facilities of Vinod Texspin LLP (VTLLP). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned factors in VTLLP's nascent stage of operations. It further reflects the long-standing experience of the management of over four decades in the textile industry, and improving business risk profile, marked by consistent year-on-year improvements in the scale of operations and operating margins of the group. The operating income of the group increased to Rs. 1,752.06 Cr. in FY2024, up from Rs. 1,654.58 Cr. in FY2023 and Rs.1504.45 Cr. in FY2022. The rating also derives comfort from the moderate financial risk profile of the group, marked by moderate net worth (Rs. 146.78 Cr. as of March 31, 2024), moderate gearing (D/E ratio: 1.95 times as of March 31, 2024), and debt coverage indicators (ICR: 4.04 times and DSCR: 1.39 times as of March 31, 2024). The group's working capital operations are moderate in nature marked by GCA days of 91 days in FY2024, and adequate liquidity position, reflected by healthy net cash accruals, further support the rating. Furthermore, the group has a locational advantage as the plants are in the Ahmedabad which is one of the major textile hubs in India which facilitates lower logistics cost and easier access to raw material while positioning the group close to major demand market. However, these strengths are partly offset by high reliance on working capital limits. Further, the rating considers the vulnerability of profitability to fluctuations in raw material prices and the group's presence in the highly competitive textile industry.

About the Company

Ahmedabad, Gujarat based Vinod Texspin LLP(VTLLP) is incorporated in October 2021, by the Mittal Family and is a part of Vinod Group of companies. Vinod group is an established and integrated textile player with presence in the textile value chain from spinning to processing to trading through its various entities. VTLLP is engaged in the manufacturing of cotton yarn and presently overall operations of VTLLP are primarily managed by Mr. Harsh Mittal. The current Directors of the company are Mr. Vinodkumar Mangalchand Mittal, Mr. Yash Vinod Mittal and Mr. Harsh Vinodbhai Mittal.

About the Group

Based in Ahmedabad Gujarat, Vinod Group is promoted by Mr. Vinod Mittal and family and has presence of over four decades in the textile industry. The group includes five companies viz. Vinod Spinners Private Limited, Vinod

Texspin LLP, Vinod Cotfab Private Limited, Vinod Denim Limited, Vinod Texworld Private Limited. The group has integrated operations across textile value chain and undertakes spinning, weaving, yarn manufacturing, grey fabric production, dyeing and finishing of grey fabric, as well as the manufacturing of heavy cotton finished fabric and finished denim fabric.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the standalone business and financial risk profiles of Vinod Cotfab Private Limited, Vinod Texworld Private Limited, Vinod Spinners Private Limited, Vinod Denim Limited, Vinod Texspin LLP together referred to as the 'Vinod Group' (VG). The consolidation is on the basis of common promoters, shared brand name and operational and financial synergies within the group.

Key Rating Drivers

Strengths

Experienced management and long-established presence in the textile industry

VTLLP is part of the Vinod group of companies (Textile division) which was established in 2021 by Mr. Mittal and family. The group undertakes spinning activities, manufacturing of yarn, manufacturing of grey fabric, dyeing and finishing of grey fabric, manufacturing of heavy cotton finished fabric and manufacturing of finished denim fabric. The group has integrated operations across the textile value chain and undertakes spinning, weaving, processing (bleaching, printing, dyeing) and manufacturing. The group has a pan India presence and a wide dealer network. The group is promoted by Mr. Vinod Mittal, Mr. Harsh Mittal and Mr. Yash Mittal, who collectively possess more than four decades of experience in the textile industry. The top management is also supported by a well-qualified and experienced team of second line of management.

Acuite believes that the extensive experience of the promoters will strengthen the business of the group over the medium term.

Improving business risk profile.

The operating income of the group improved by ~6% to Rs.1752.06 Cr. in FY2024 from Rs. 1654.85 Cr. in FY2023 and Rs.1504.45 Cr. in FY2022. The group recorded revenue of ~Rs. 940 Cr. in 6MFY25. The operating margins of the group have seen an increase over the years. The operating margins of the group stood at 3.82 percent in FY2024 as against 3.05 percent in FY2023 and 2.72 percent in FY2022. The increase in operating margins is primarily on account of a decline in raw material prices. The PAT margins stood at 1.17% in FY2024 as against 0.97% in FY2023 and 0.79% in FY2022.

Acuite believes that the group's ability to improve its scale of operations and operating profitability will remain a key rating sensitivity.

Moderate Working Capital Management

The working capital operations of the group stood moderate marked by GCA days of 91 days in FY2024 as against 83 days in FY2023. The collection period stood moderate at 65 days in FY2024 as against 59 days in FY2023. Notably, the group provides a credit period of 30-60 days to its debtors. The inventory holding stood low at 23 days in FY2024 as against 19 days in FY2023. On the other hand, the creditors' period stood moderate at 48 days in FY2024 as against 45 days in FY2023, owing to a moderate credit period of 30-60 days extended by the suppliers to the group.

Acuite believes that the working capital operations of the group may continue to remain moderate over the medium term.

Captive Power Plant Capex

The group has undertaken capital expenditure (capex) for windmill projects in two of its companies and ground-mounted solar projects in four of its companies to support captive power consumption.

The total cost of the windmill project is Rs. 45 Cr., funded through a combination of unsecured loans (USL) from the directors/internal cash accruals of Rs. 7 Cr., and term loans of Rs. 38 Cr. The benefits from this project are expected to begin accruing from November/December 2024.

The total cost of the ground-mounted solar capex project is Rs. 39 Cr., funded through promoter contributions/internal cash accruals of Rs. 4 Cr. and term loans of Rs. 35 Cr. The benefits from this project are expected to begin accruing from April and September 2025.

As learnt from the management the captive power plants are expected to result in savings of 45-50% on power costs.

Acuite believes that while these investments will help reduce power costs, the group's coverage and leverage ratios may experience slight moderation over the medium term due to the increase in debt levels.

Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the group stood average, marked by moderate net worth, gearing (debt-equity) and debt protection metrics. Tangible net worth increased to Rs. 146.78 Cr. as of March 31, 2024, reflecting sustained profitability and an increase from Rs. 124.91 Cr. on March 31, 2023, due to accretion of profits to reserves. The

total debt of the group stood at Rs. 286.55 Cr. which includes long term loans of Rs. 151.28 Cr., short term loans of Rs. 96.64 Cr. and unsecured loans of Rs. 38.63 Cr. as on 31 March 2024. The gearing (debt-equity) ratio stood at 1.95 times as on 31 March 2024 as compared to 1.77 times as on 31 March 2023. The debt protection metrics stood moderate with Interest Coverage Ratio stood of 4.04 times for FY2024 as against 3.91 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.39 times in FY2024 as against 1.49 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.56 times as on 31 March 2024 as against 3.44 times as on 31 March 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2024 as against 0.15 times for FY2023. Debt/EBITDA stood at 4.24 times in FY2024 as against 4.29 times in FY2023. Acuite believes the financial risk profile of group will remain moderate over the medium term on account of ongoing debt funded capex.

Susceptibility of operating margins to volatility in raw material prices

VG's key raw material, cotton is a highly seasonal commodity and good quality cotton is available only during the peak cotton season i.e. October to March. Operating margins in textile companies are susceptible to changes in cotton prices, which are highly volatile and commoditised product. Any abrupt change in cotton prices due to supply-demand scenario, carryover stocks in the overseas market, and government regulations of changes in minimum support price (MSP) can lead to distortion in market prices and affect the profitability of players across the cotton value chain. Further, textile industry is highly fragmented and competitive with the presence of a large number of organised and unorganised players.

Highly competitive textile industry and shifts in consumer preferences

The textile industry in India is highly fragmented and competitive marked by presence of large number of organised and unorganised players. The group is exposed to intense competition from both domestic players as well as the overseas market. The shifts in consumption patterns can also have an adverse impact on the operations of the group. The Indian denim industry has also seen a muted growth in past few years and will have impact on the growth of the existing players such as Vinod group. However, Acuite believes that extensive experience of promoters in textile industry will mitigate such risk to certain extent.

Rating Sensitivities

Sustained improvement in scale of operations along with improving profitability.
Elongation in working capital operations leading to stretch in liquidity position.
Time and cost overrun in ongoing and upcoming capex.

Liquidity Position

Adequate

The liquidity position remains adequate, evidenced by sufficient net cash accruals offsetting maturing debt obligations. Net cash accruals ranged Rs. 25-42 Cr. between FY2022 and FY2024, surpassing maturing repayment obligations of Rs. 17-25 Cr. during the same period. Projections indicate adequate liquidity, with expected cash accruals ranging from Rs. 50-70 Cr. against maturing repayment obligations of Rs. 25-30 Cr. over the medium term. The current ratio stood 1.26 times on March 31, 2024, against 1.27 times on March 31, 2023. The working capital operations are moderate in nature marked by GCA days of 91 days in FY2024, however the reliance on working capital limits stood at ~80% over twelve months ended July 2024. Further, the cash and bank balance stood at Rs. 5.26 Cr. as on 31st March 2024.

Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1752.06	1654.58
PAT	Rs. Cr.	20.57	16.12
PAT Margin	(%)	1.17	0.97
Total Debt/Tangible Net Worth	Times	1.95	1.77
PBDIT/Interest	Times	4.04	3.91

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

None

Any Other Information

None

Applicable Criteria

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

Not Applicable

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.	2.00	Simple	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.90	Simple	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2031	23.65	Simple	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2031	2.74	Simple	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2031	0.54	Simple	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2031	1.94	Simple	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	13.50	Simple	ACUITE BB+ Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Vinod Denim Limited
2	Vinod Spinners Private Limited
3	Vinod Cotfab Private Limited
4	Vinod Texworld Private Limited
5	Vinod Texspin LLP

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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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