



Press Release

Shivtex Spinning Private Limited

August 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	39.34	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BB+/ Negative; ISSUER NOT COOPERATING (IVR Double B Plus with Negative outlook; ISSUER NOT COOPERATING)	Upgraded with revision in outlook from Negative to Stable and removed from Issuer Not Cooperating category	Simple
Long Term Bank Facility	-	-	IVR BB+/ Negative; ISSUER NOT COOPERATING (IVR Double B Plus with Negative outlook; ISSUER NOT COOPERATING)	Withdrawn	-
Short Term Bank Facilities	1.70	IVR A3+ (IVR A Three Plus)	IVR A4+; ISSUER NOT COOPERATING (IVR A Four Plus; ISSUER NOT COOPERATING)	Upgraded and removed from Issuer Not Cooperating category	Simple
Total	41.04 (INR Forty-One Crore and Four Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has removed the ratings assigned to the bank facilities of Shivtex Spinning Private Limited (SSPL) from ISSUER NOT COOPERATING category based on adequate information received from the entity to review its ratings.

The upgrade in the ratings assigned to the bank facilities of SSPL derive strength from improvement in business performance of the company marked by growth in its scale of operation in FY24 (Provisional) [FY refers to the period from April 1 to March 31]. The ratings are also underpinned by satisfactory financial risk profile of the company marked by its comfortable capital structure and satisfactory debt protection metrics. Further, the ratings positively factor in the extensive experience of the promoters in the textile industry and easy availability of raw materials to its manufacturing facility. However, these rating strengths



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remain partially offset by its exposure to intense competition and susceptibility of its profit margins due to fluctuation in raw material prices.

The outlook is revised from negative to stable based on expectation of stable operating performance of the company and satisfactory debt protection metrics.

Infomerics Ratings has simultaneously withdrawn the long-term rating assigned to GECL facility with immediate effect. The above action has been taken based on No Due Certificate of the lender received from the client. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Decline in operating income and/or profitability impacting the debt coverage indicators
- Deterioration in the capital structure with moderation in overall gearing ratio to over 2x and/or moderation in debt protection metrics
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings to more than ~95% on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in textile industry**

The promoters of the company have been in the textile business for more than 20 years. Extensive business experience of the promoters with sound financial background supports the business risk profile of the company to a large extent.

- **Easy availability of raw material**

The company has easy access to raw materials as its manufacturing plant is located in Ahmedabad (Gujarat), which is cotton growing belt of India. Favourable location of the plant also enables the company to save on logistics costs.



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- **Satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt protection metrics**

The capital structure of the company continues to remain comfortable as on March 31, 2024 (Provisional) marked by its improved leverage ratios. The leverage ratios continued to improve on the back of accretion of profit to reserves along with repayment of term loans. The company has also prepaid some of its debt obligations [~Rs. 22.50 crore during FY23 and ~Rs. 4.86 crore during FY24 (Provisional)]. Accordingly, long term debt equity ratio and overall gearing ratio has improved and continues to remain comfortable at 0.72x and 0.97x respectively as on March 31, 2024 (Provisional) as compared to 0.94x and 1.20x respectively as on March 31, 2023. Further, total indebtedness of the company marked by TOL/TNW stood comfortable at 1.66x as on March 31, 2024 (Provisional) against 1.73x as on March 31, 2023. The debt protection metrics of the company as indicated by interest coverage ratio has improved from 3.08x in FY23 to 3.44x in FY24 (Provisional). Further, Total debt to EBITDA also continues to remain comfortable at 2.90x in FY24 (Provisional) vis-a-vis 3.80x in FY23. The total debt to NCA remained moderate at 4.60 years as on March 31, 2024 (Provisional).

- **Improvement in business performance in FY24**

The company has witnessed moderation in its topline from Rs. 414.76 crore in FY22 to Rs. 294.21 crore in FY23 due to weak demand. However, despite decline in topline, EBITDA margin of the company remained stable in FY23 supported by better average sales realizations and lower input cost. During FY24, the industry has witnessed recovery mainly supported by improvement in demand from the export market. In FY24 (Provisional), the company's revenue increased significantly on a y-o-y basis by ~110% driven by increase in sales volume of conditioned cotton yarn. However, due to limited value addition in conditioning cotton yarn business, profit margins have declined in FY24 (Provisional), however absolute EBITDA and PAT levels have improved. In Q1FY25, the company has achieved net profit of Rs. 1.80 crore on total operating income of Rs. 229.11 Crore.

Key Rating Weaknesses

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus its



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profitability remains susceptible to any adverse movement in cotton and yarn prices. However, the risk is mitigated to an extent on account of order-backed raw material procurement policy.

- **Exposure to intense competition**

The spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the group's pricing flexibility and bargaining power.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25-FY27. The current ratio stood satisfactory at 1.59 times as on March 31, 2024 (Provisional) and average fund based working capital utilisation of the company in the past 12 months ended in March 2024 remained satisfactory at ~87% indicating a moderate liquidity buffer.

About the Company

Shivtex Spinning Private Limited was incorporated in September 2016 by Mr. Sanjay Bindal, Mr. Navin Saraogi and Mr. Aman Agrawal. The primary activities of the company involve manufacturing of cotton spun yarn of various counts and kinds. The company commenced its commercial production from September 2017 with an installed capacity of 5496 MTPA in Saijpur Gopalpur, Ahmedabad. At present, the total installed capacity of the company is 11978 MTPA.

Financials (Standalone):



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(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	294.21	618.29
EBITDA	18.58	21.05
PAT	1.99	3.69
Total Debt	70.65	61.02
Tangible Net Worth	58.99	62.68
EBITDA Margin (%)	6.31	3.40
PAT Margin (%)	0.67	0.60
Overall Gearing Ratio (x)	1.20	0.97
Interest Coverage (x)	3.08	3.44

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: India Ratings has maintained the rating of SSPL in the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated July 14, 2024.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Apr 4, 2024	-	Jan 20, 2023	Oct 25, 2021
1.	Term Loan	Long Term	23.09*	IVR BBB/ Stable	IVR BB+/ Negative; ISSUER NOT COOPERATING	-	IVR BBB/ Stable	IVR BBB/ Stable
2.	GECL^	Long Term	-	-	IVR BB+/ Negative; ISSUER NOT COOPERATING	-	IVR BBB/ Stable	IVR BBB/ Stable
3.	Cash Credit	Long Term	16.25	IVR BBB/ Stable	IVR BB+/ Negative; ISSUER NOT COOPERATING	-	IVR BBB/ Stable	IVR BBB/ Stable
4.	Bank Guarantee	Short Term	1.70	IVR A3+	IVR A4+ ISSUER NOT COOPERATING	-	IVR A3+	IVR A3+

*Outstanding as on June 30, 2024

^Withdrawn based on No Due Certificate of the lender, received from the client



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Analytical Contacts:

Name: Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Sep 2028	23.09	IVR BBB/ Stable
Cash Credit	-	-	-	-	16.25	IVR BBB/ Stable
Bank Guarantee	-	-	-	-	1.70	IVR A3+
Total					41.04	

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Shivtex-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.