

Balkrishna Spintex Private Limited

October 28, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	50.52 (Enhanced from 45.74)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	21.22 (Enhanced from 16.00)	CARE BB-; Stable / CARE A4	LT rating reaffirmed and ST rating assigned
Short Term Bank Facilities	1.89	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

LT: Long Term; ST: Short Term

Rationale and key rating drivers

The ratings assigned to the bank facilities of Balkrishna Spintex Private Limited (BSPL) continue to remain constrained on account of its moderate profitability, moderate capital structure as well as debt coverage indicators and stretched liquidity. Further, the ratings also remain constrained on account of susceptibility of profitability to volatile cotton prices, and its presence in highly fragmented and competitive industry.

The ratings, however, continue to derive strength from BSPL's experienced promoters in the cotton industry, location advantage and its growing although moderate scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) maintained at current level along with improvement in profit before interest, lease, depreciation and tax (PBILDT) margin above 7% on sustained basis.
- Improvement in capital structure with overall gearing below 1.20x along with improvement in debt coverage indicators on sustained basis.

Negative factors

- Decline in scale of operations with TOI below Rs. 150.00 crore or decline in PBILDT margin below 4% on sustained basis.
- Deterioration in capital structure with overall gearing above 2.25x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoters in the cotton textile industry.

Detailed description of key rating drivers:

Key weaknesses

Moderate Profitability

The PBILDT margin for BSPL decreased by 116 basis points in FY24, settling at 4.15%. This decline was primarily due to increased raw material and power costs and hampering of operations due to integration of expansion capex with existing unit. Also, BSPL reported negative profit after tax (PAT) of Rs.6.77 crore in FY24 on account of higher finance (due to additional term loan availed) and depreciation costs. With full operationalisation of recent capex, increased capacity utilisation and power cost saving from windmill, PBILDT margin is expected to improve in current years.

Moderately leveraged capital structure and weak debt coverage indicators

As on March 31, 2024, the capital structure remained moderately leveraged marked by overall gearing of 1.41x (0.75x on March 31, 2023) on modest net worth base of Rs.44.92 crore. The overall gearing deteriorated on account of term loan availed for installation of windmill (for captive consumption) and additional plant & machinery (for capacity expansion) and high utilization of working capital borrowings of Rs.20.36 crore (ad hoc limits of Rs.5.00 crore availed during March- June 2024) as on March 31, 2024.

The net worth base of BSPL increased due to reclassification of USL from debt to quasi-equity and capital subsidy of Rs.3.02 crore received during the year despite loss of Rs.6.77 crore incurred in FY24. The promoters and relatives infused additional USL of Rs.6.88 crore in FY24 to fund the windmill capex incurred by the company.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The debt coverage indicators of BSPL stood weak marked by PBILDT Interest Coverage of 1.50x and Term Debt/ GCA of 14.26x respectively.

Susceptibility of profitability to volatility in cotton prices

Textile is a cyclical industry and closely follows the macroeconomic business cycles. High competitive intensity in the textile industry, volatility of cotton prices, elevated inflation levels and sluggish demand outlook from developed markets are the major causes of concern for the Indian textile industry. Prices of raw cotton are volatile in nature and depend upon factors like area under production, yield for the year, international demand-supply scenario, inventory carry forward from previous year, along with setting of export quota and minimum support price (MSP) by the government.

Presence in highly fragmented and competitive industry with limited product differentiation

The yarn manufacturing industry in India is highly fragmented and dominated by a large number of small-scale units leading to high competition in the industry. Smaller standalone units are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared with larger integrated textile companies who have better efficiencies and pricing power considering their scale of operations. Due to the fragmented nature of the industry, the ability to pass on the increase/decrease in raw material prices to the end customers is limited and is usually accompanied by a time lag.

Key strengths

Experienced promoters

BSPL is promoted by Mr. Arvindkumar Raichura, Mr. Girishkumar Raichura, Mr. Dipakkumar Raichura and Mr. Miteshkumar Kotecha. They are also partners in the firm M/s Balkrishna Ginning and Pressing Factory which is in cotton ginning and pressing activity business since 1999. The experience of promoters of BSPL varies from 15-30 years in the ginning industry. Promoters also have successfully run operations of the entity since last 9 years.

Growing although moderate scale of operations

BSPL's total operating income (TOI) increased by ~69% y-o-y and stood at Rs.214.66 crore in FY24. The improvement in TOI was on account of improved demand for cotton yarn which was also supported by capacity expansion concluded in FY24. Further, in H1FY25, the company has achieved TOI of Rs. 119.63 crore. Unit is presently operating at ~70% of its installed capacity and successfully scaling of operations with healthy profit margin shall be key monitorable.

Location Advantage as well as eligibility of benefits from the government in the form of subsidy

The manufacturing facility of BSPL is located at Sanosara near Rajkot in the state of Gujarat which is one of the largest cotton producing belts in India. BSPL majorly procures cotton bales from ginneries in the surrounding locality which lowers its cost of logistics (both on the transportation and storage) & provides ready availability of raw materials. Furthermore, company is getting advantage from government in form of SGST and capital subsidy under Gujarat Textile Policy 2012 (benefit available till FY25).

Liquidity: Stretched

Liquidity of BSPL is stretched marked by tightly matching envisaged gross cash accruals in the range of Rs.9-10 crore as against term loan repayments of Rs.8-9 crore in FY25. The average utilisation of its fund based working capital limits stood at ~80% for past 12 months ending September 2024. The net cash flow from operations was negative at Rs.9.09 crore in FY24, primarily due to the higher inventory of cotton bales and finished cotton yarn as of March 31, 2024, considering higher pending orders and increased scale of operation. However, operating cycle improved to 38 days in FY24 as against 49 days in FY23 due to lower inventory holding period. BSPL doesn't extend much credit period to its customers which is visible by low collection period of 2 days in FY24. BSPL had low free cash and bank balances of Rs. 0.13 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Incorporated in September 2013, Rajkot (Gujarat) based Balkrishna Spintex Private Limited (BSPL) is promoted by Mr. Arvindkumar Raichura, Mr. Girishkumar Raichura, Mr. Dipakkumar Raichura and Mr. Miteshkumar Kotecha. It is engaged in the business of manufacturing cotton yarn of finer quality with 20s and 30s count from its manufacturing facility located at Sanosara, Gujarat. As on September 30, 2024, BSPL had 26,208 spindles with installed capacity of 12,000 MTPA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	126.81	214.66	119.63
PBILDT	6.73	8.91	NA
PAT	0.53	-6.77	NA
Overall gearing (times)	0.75	1.41	NA
Interest coverage (times)	3.34	1.50	NA

A: Audited; Prov. Provisional; NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-06-2031	50.52	CARE BB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	21.22	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	1.64	CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.25	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-Cash Credit	LT/ST	21.22	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable (27-Dec-23) 2)CARE B; Stable; ISSUER NOT COOPERATING * (10-Oct-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (29-Aug-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (29-Jun-21)
2	Non-fund-based - ST-Bank Guarantee	ST	1.64	CARE A4	-	1)CARE A4 (27-Dec-23) 2)CARE A4; ISSUER NOT COOPERATING * (10-Oct-23)	1)CARE A4; ISSUER NOT COOPERATING * (29-Aug-22)	1)CARE A4; ISSUER NOT COOPERATING * (29-Jun-21)
3	Non-fund-based - ST-Credit Exposure Limit	ST	0.25	CARE A4	-	1)CARE A4 (27-Dec-23) 2)CARE A4; ISSUER NOT COOPERATING * (10-Oct-23)	1)CARE A4; ISSUER NOT COOPERATING * (29-Aug-22)	1)CARE A4; ISSUER NOT COOPERATING * (29-Jun-21)
4	Fund-based - LT-Term Loan	LT	50.52	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Dec-23) 2)CARE B; Stable; ISSUER NOT COOPERATING * (10-Oct-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (29-Aug-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (29-Jun-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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