

## Jay Dwarkadhish Spintex Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	61.12 (Enhanced from 45.30)	CARE BB; Stable	Upgraded from CARE BB-; Stable
Long Term / Short Term Bank Facilities	15.00	CARE BB; Stable / CARE A4	LT rating upgraded from CARE BB-; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Jay Dwarkadhish Spintex Private Limited (JDSPL) takes into account successful completion of its greenfield project within envisaged time and cost parameters along with scale-up of operations.

Ratings also favourably factor in experience of its promoters in similar line of business along with synergies through group entities engaged in cotton ginning as well as strategically located plant within the cotton producing belt of Gujarat.

Ratings however are constrained on account of its nascent stage of operations, leveraged capital structure and modest debt coverage indicators, vulnerability of profit margins to volatility in raw material prices and presence in competitive and cyclical textile industry with stretched liquidity. Ratings also take cognisance of the implementation and stabilization risk associated with an additional debt-funded capex being undertaken by the company.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations with Total Operating Income (TOI) above Rs.150 crore along with PBILDT margin above 10% on a sustained basis.
- Improvement in capital structure of the company marked by an overall gearing below 1.50x.

#### Negative factors

- Lower than envisaged TOI and profitability
- Delay in infusion of USLs by promoters for additional capex leading to further stress on company's liquidity

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Ltd.'s expectations that company shall benefit from the experience of the promoters and maintain its moderate financial risk profile.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Nascent stage of operations with a leveraged capital structure

JDSPL commenced its commercial production during March 2024 and has a relatively short track record of operations compared to other established players. During 8MFY25, the company has registered total operating income (TOI) of ~Rs.85 crore and is expected to clock a turnover of around Rs.115 crore during FY25.

Owing to its nascent stage of operations, stabilization risk with respect to achieving the envisaged scale of business and saleability risk associated with the products in the light of competitive nature of industry persists. Furthermore, the same also results in a leveraged capital structure for the company as marked by an overall gearing of 2.63x as at FY24 end, which is expected to deteriorate further owing to additional debt-funded capex being undertaken during FY25.

##### Implementation and stabilization risk with respect to the additional debt-funded capex being

Post completion of its greenfield project to set-up a spinning unit, JDSPL is under process of undertaking additional capex of nearly Rs.21 crore funded through a mix of term loans and unsecured loans from promoters.

Company has already installed a 1.2MW rooftop solar power plant at a cost of Rs.3.50 crore and has added a capacity of 1680 spindles costing Rs.4.50 crore as on date. Further, JDSPL plans to install a 3MW ground-mounted solar plant by February 2025, with an estimated cost of Rs.12.50 crore. Debt tie-up for this project is in advanced stage. The solar installations are expected to result in power cost savings for the company which is expected to aid its profitability going forward.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Vulnerability of margins to volatility in raw material prices**

The profitability of JDSPL is exposed to fluctuations in raw cotton, which being an agricultural commodity is subject to the vagaries of monsoon. Further, the prices of cotton are regulated in India through fixation of Minimum Support Price (MSP) by the government. As a result, the fortunes of entities in the cotton value chain depend on the price parity between the price fixed by the government and those prevailing in the market. Moreover, exports of cotton are also regulated by government through quota systems to suffice domestic demand for cotton. Hence, any adverse change in government policy may adversely impact the prices of raw cotton in domestic market and could result in lower realizations and profitability for JDSPL.

### **Presence in a competitive and cyclical textile industry**

JDSPL operates in a highly fragmented and unorganized market of the textile industry, marked by many small-sized players. The industry is characterized by low entry barriers due to limited capital requirement and easy access to customers and suppliers. Also, the presence of big-sized players with an established product profile alongwith marketing & distribution network results further intensifies the competition in the industry.

### **Key strengths**

#### **Successful completion of its greenfield project within envisaged time and cost parameters along with successful scale-up of operations**

JDSPL has implemented a project to set up manufacturing unit of 100% combed compact cotton yarn of various counts (24 CCH, 30 CCH, & 24 KCH) at Jamnagar having 16320 spindles (+1680 spindles added after project completion) with installed capacity of 4855 MT (now 5350 MT). Project was completed within envisaged time and cost parameters and company has managed to successfully scale-up the operations with nearly break-even profit expected for the first year.

#### **Experienced promoters in cotton ginning**

JDSPL is promoted by the Varsani, Savaliya, and Changani family. The promoters have a long-standing experience of over a decade in the business of textiles, mainly through cotton ginning units (M/s Shyam Cotton and M/s Shri Harekrishna Cotton Industries). This helps JDSPL with an advantage of a direct and ready market of dealers and distributors, along with operational synergies with group entities (given that cotton bales are the primary raw material for JDSPL).

#### **Strategically located plant within the cotton producing belt of Gujarat**

JDSPL's proposed unit will be setup at Mota Vadala, Jamnagar in the state of Gujarat, which is one of the largest cotton producing belts in India. As a result, raw material is available in adequate quantity in the vicinity. Further, the promoters of JDSPL already have an operational ginning unit which is at the distance of 1 KM from the proposed spinning unit, while there are also other ginning units within the radius of 25 KMs from the spinning unit. Additionally, due to proximity to small villages, company also gets access to labour at a reasonable cost. As a result, JDSPL's presence in cotton producing region has a geographical advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials.

### **Liquidity: Stretched**

Liquidity of company remains stretched on account of recent commencement of operations, with its gross cash accruals expected to remain tightly matched against its scheduled debt repayment obligations.

Repayments for the company's term debt obligations is expected to commence majorly from FY26 onwards. Company is expected to generate GCA of Rs.7-9 crore during FY26 and FY27 each, against its annual repayment obligations in the range of Rs.6-7 crore.

Additionally, company is undertaking additional capex for which the debt tie-up is advanced stage. Timely infusion of USLs by promoters for the said capex shall remain crucial for its credit risk profile.

### **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

Jamnagar, Gujarat based Jay Dwarkadhish Spintex Private Limited (JDSPL) was incorporated on February 18th, 2022, by three families, Varsani, Changani, and Savaliya, having vast experience in cotton & cotton ginning business, alongwith other promoters having experience in diversified businesses.

JDSPL has implemented a greenfield project to set up manufacturing unit of 100% combed compact cotton yarn of various counts (24 CCH, 30 CCH, & 24 KCH) at Jamnagar having 16320 spindles (alongwith 1680 spindles added recently), aggregating to an installed capacity of 5350 metric ton.

The project cost was around Rs.82.20 crore, funded through term loan of Rs.45.30 crore, Rs.12.90 crore of unsecured loans from promoters and an equity contribution of Rs.24.00 crore.

Brief Financials (₹ crore)	8MFY25 (UA)
Total operating income	84.81
PBILDT	6.65
PAT	-0.56
Overall gearing (times)	NA
Interest coverage (times)	1.77

UA: Unaudited; 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		-	-	30-11-2032	61.12	CARE BB; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	15.00	CARE BB; Stable / 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-Term Loan	LT	61.12	CARE BB; Stable	-	1)CARE BB-; Stable (27-Dec-23)	-	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	15.00	CARE BB; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (27-Dec-23)	-	-

LT: Long 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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	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](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Nikita Goyal Associate Director <b>CARE Ratings Limited</b> Phone: 079-40265617 E-mail: <a href="mailto:nikita.goyal@careedge.in">nikita.goyal@careedge.in</a>
	Chinmay Soni Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Chinmay.Soni@careedge.in">Chinmay.Soni@careedge.in</a>

### About us:

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### Disclaimer:

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