

R.G. Spinning Mills Private Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	37.15 (Reduced from 41.29)	CARE BB-; Stable	Downgraded from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in rating assigned to the bank facilities of R.G. Spinning Mill Private Limited (RGS) factor in decline in total operating income (TOI) and increase in inventory holding leading to higher working capital utilization and stretch in liquidity position.

The rating assigned to bank facilities of R.G. Spinning Mills Private Limited (RGS) continue to be constrained by small scale of operations, highly fragmented, competitive and cyclical nature of industry, inherent volatility associated with raw material prices and its impact on profitability and moderate capital structure. However, the rating continues to derive comfort from the experience of the promoters, established track record of the company, and established client base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up the operations to over ₹100.00 crores while maintaining the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 10% on a consistent basis
- Improvement in capital structure with overall gearing below 1.50x.

Negative factors

- Any sizable decline in the scale of operations with income below ₹50.00 crore along with decline in profitability margins on a sustained basis.
- Any large debt funded capex leading to moderation in capital structure with overall gearing above 3.00x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the entity is likely to sustain operational performance with continuous orders from reputed clientele over the medium term backed by established relationship with the clients amidst competitive industry.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations:

The scale of operations remained small with operating income of ₹59.98 crore in FY24 (PY: ₹68.60 crore) owing to slowdown in demand for yarn. The company has booked total income of ₹45.00 crore in 11m FY25 (April 01 to February 28).

Highly fragmented, competitive and cyclical nature of industry:

The Indian textile industry consists of large-organized players who contribute to 75 per cent of total installed capacity and the remaining 25 per cent is contributed by unorganized segment. RGS is a relatively small player in this space, thereby lacking the benefits of economies of scale. The intense competition in highly fragmented textile industry also restricts its ability to completely pass on volatility in input cost to its customers.

Inherent volatility associated with raw material prices and its impact on profitability:

Raw cotton prices are highly volatile, influenced by factors such as production area, yield, monsoon conditions, international demand and supply, carryover inventory, export quotas, and the government's minimum support price (MSP). This volatility poses a risk of inventory losses for industry players. Similarly, the prices of polyester staple fiber (PSF) depend on the costs of purified terephthalic acid (PTA) and mono ethylene glycol (MEG), both petrochemical derivatives whose prices fluctuate with crude oil prices. Consequently, PSF prices are inherently volatile, making spinners' margins vulnerable to adverse fiber price fluctuations.

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

Moderate capital structure:

The overall gearing moderated from 1.84x as on March 31, 2023, to 2.17x as on March 31, 2024, owing to increased working capital utilization and terms loans availed for solar captive power in FY24. The debt coverage metrics also stood moderate with Total debt/ GCA of 31.64x (PY: 21.39x) as on March 31, 2024.

Key strengths

Experience of the promoters and established track record of the company:

RGS was incorporated in 2004 and has an established track record of more than a decade in the similar line of industry and established relationship with its suppliers and customers over the years. RGS's operations are spread across three states Maharashtra, Gujarat and Rajasthan. The company is promoted by P. Vasanth who has around 15 years of experience in textile industry.

Established client base:

The company has long track record of operations of more than a decade and due to better management policies, it has managed to establish fair relations with its existing and new clientele in the industry. RGS sells its products through dealers to weavers and knitters based out of Tamil Nadu, Maharashtra, Rajasthan and Gujarat. The top five customers of the company contributed around 39% (PY: 40%) of total sales in FY24.

Liquidity: Stretched

Liquidity is stretched marked by tightly matched accruals against term debt obligations and with moderate free cash and bank balance of ₹1.00 crore as of March 31, 2024. The operating cycle of the company deteriorated and remained stretched in FY24 at 232 days from 188 days in FY23 owing to increased inventory period of 235 days in FY24 due to stocking of raw materials. The company has total working capital limits of ₹23.00 crore, and the average working capital utilization stood more than 95% for the last 12 months ended February 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Manmade Yarn Manufacturing](#)

About the company and industry

Industry classification

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

RGS (erstwhile R.G. Spinning Mills Limited) was incorporated on August 18, 2004, as Public Limited Company, promoted by P. Vasanth. RGS is engaged in manufacturing of cotton polyester blended yarn at its manufacturing unit located at Pallipalayam, Tamil Nadu with installed capacity of 18144 spindles as of March 28, 2024. The company manufactures single and double count yarn ranging from 1/30's P/C to 2/80's P/C which is used for manufacturing of fabrics.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11m FY25 (UA)
Total operating income	68.59	59.98	45.00
PBILDT	5.44	5.53	NA
PAT	0.30	0.28	NA
Overall gearing (times)	1.84	2.17	NA
Interest coverage (times)	1.60	1.43	NA

A: Audited 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-Cash Credit		-	-	-	23.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	November 2028	14.15	CARE BB-; Stable

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-Cash Credit	LT	23.00	CARE BB-; Stable	1)CARE BB; Stable (05-Apr-24)	-	1)CARE BB; Stable (14-Mar-23) 2)CARE BB; Stable (19-Apr-22) 3)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Apr-22)	1)CARE BB; Stable (01-Apr-21)
2	Fund-based - LT-Term Loan	LT	14.15	CARE BB-; Stable	1)CARE BB; Stable (05-Apr-24)	-	1)CARE BB; Stable (14-Mar-23) 2)CARE BB; Stable (19-Apr-22) 3)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Apr-22)	1)CARE BB; Stable (01-Apr-21)

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

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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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