Whitefield Spintex (india) Private Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.20	CARE B+; Stable	Reaffirmed
Short Term Bank Facilities	1.35	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to bank facilities of Whitefield Spintex (India) Private Limited (WSPL) are continued to be constrained on account of its limited track record with small scale of operations, moderate profitability margin during FY24 (FY refers to April 01 to March 31), leveraged capital structure with eroded net worth, weak debt coverage indicators, and stretched liquidity position. Further, the ratings are also constrained on account of the susceptibility of its profitability to volatile cotton yarn prices and its presence in highly fragmented and competitive industry with regulatory controls and working capital intensive nature of operations.

The ratings, however, derive strength from WSPL's experienced and resourceful promoters and strategic location of its manufacturing unit in the cotton producing cluster of Gujarat.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in the scale of operations with total operating income (TOI) exceeding Rs.100 crore on a sustained basis
- Higher accretion of profits leading to positive tangible networth and improvement in overall gearing below 3 times

Negative Factors

- Reduction in scale of operations with TOI below Rs.60 crore on a sustained basis
- Deterioration in the profitability or elongation of working capital cycle above 60 days resulting in further stretched on liquidity position

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings belief that WSPL will sustain its growth in scale of operations and continue to derive benefits from its experienced promoters.

Detailed description of the key rating drivers:

Key weaknesses

Limited track record of operations with small scale of operations

The company resumed its operations on November 21, 2022, post management takeover and increased its production capacity of 4510 metric tonnes per annum (MTPA) from 3338 MTPA. Thus, the company is carrying a short operational track record and registered a total operating income (TOI) of Rs.82.74 crore in FY24 (vis-à-vis Rs.20.66 crore in FY23), indicating successful revamp and stabilization of its operations. Further, WSPL reported revenue of Rs.74.44 crore during 11MFY25. Nevertheless, the scale of operations remained modest with an eroded tangible net-worth base which limits the financial flexibility of the company to a great extent. The PBILDT margin has improved although it remained moderate at 4.97% in FY24 as against 3.13% in FY23 on the back of the increase in the revenue thereby leading to better absorption of fixed costs. The company's ability to further scale up its revenue and improve profitability margins remains a key monitorable given its limited operational history.

Leveraged capital structure with eroded tangible net-worth base

The capital structure remained leverage in FY24 on account of negative net worth. The total debt has increased to Rs.83.14 crore in FY24 as against Rs.58.11 crore in FY23 on account of the increase in the term loans availed for the capacity additions undertaken during the year. Moreover, the working capital borrowing has also increased to support the increased scale of operations. However, the comfort can be drawn from the fact that out of total debt about 37% debt is in the form of unsecured loans which are interest free in nature and have no scheduled repayments. The debt coverage indicators continue to remain weak with Total Debt to Gross Cash Accruals (GCA) at 36.31x in FY24 (PY: 24.62) and PBILDT Interest coverage at 1x in FY24 (PY: 0.59x).

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

Working capital intensive nature of operations
The company's operations remained working capital-intensive due to the higher gross current asset period of 107 days in FY24 (vis-à-vis 310 days in FY23). The company keeps higher inventory for procurement of raw material, processing and finished goods, which resulted in the average inventory period at 50 days in FY24 (vis-à-vis 94 days in FY23) with lower collection period of 4 days as it mainly receives advance payments from its customers. Accordingly, the creditors' period also reduced to 18 days in FY24 from 45 days in FY23. Nevertheless, the company fund its operations through external debt hence, working capital limit utilization stood high.

Susceptibility of profit margins to volatility in raw material prices along with its presence in cyclical, fragmented and competitive textile industry with regulatory controls
The primary raw material for cotton yarn, i.e. raw cotton, which accounts for more than 70-90% of total cost of production and it's an agro-commodity and contingent upon the vagaries of weather, while the industry also follows the macroeconomic business cycles. Also, WSPL is present in a highly fragmented industry marked by the presence of a large number of organized and unorganized players, making the industry highly competitive. Furthermore, it is highly regulated by the government through Minimum Support Price (MSP) and export regulations. Thus, the profitability margins remain susceptible due to volatility in raw material prices.

Key strengths

Experienced and resourceful promoters
WSPL was incorporated in September 2013, however, from August 30, 2020, the operations of the company discontinued and subsequently the management has been taken over by Vimal Tadhani, Ashvin Sorathia, Dhaval Sorathiya, Satish Varasani and Minesh Jagani (old promoter) and the operations commenced from November 21, 2022, onwards. The current management has significant experience in the cotton spinning industry with the existence in the industry through other group entities viz. Skywin Spintex Pvt Ltd. and Wintas Textile. Further, the promoter group has provided funding support through infusion of unsecured loans during the past two years.

Location advantage with benefits available under Government policies
The manufacturing facilities are located at Rajkot, which is the cotton growing belt of Gujarat. In view of the strategic location of the plant, WSPL enjoys proximity to the cotton producing belt of Gujarat which results in ease of access to raw material, stable power supply and port infrastructure which are the prerequisites for the sector. Furthermore, cotton being an agro-commodity, WSPL is eligible for various government incentives.

Benefit derived from captive power generation
WSPL has successfully installed a solar power plant with aggregate capacity of 0.8 MW and a windmill with 2.1 MW capacity during FY24. The power generated by these are used for in-house consumption. Electricity consumption through captive consumption is expected to result in a reduction of power cost to a great extent. Thus, the company projects a significant reduction in annual power expenses (up to 70%) which will enhance the cash accruals from FY25 onwards.

Liquidity: Stretched
The liquidity of the company is stretched with average utilization of fund-based limits remained high at 90% for the last twelve months ended February 2025. In addition to this, free cash and bank balance of the company stood at Rs.2.25 crore as on March 31, 2024 (including Rs.0.13 crore cash and bank balance and Rs.2.12 crore in Free Fixed Deposits) (As on March 31, 2023: Rs.1.18 crore). The gross cash accrual of the company remains tightly matched against principal debt repayment obligation of Rs.4.71 crores in FY25 and Rs.4.68 crore in FY26. The cash flow from operations stood at a negative of Rs.0.22 crore in FY24 (vis-à-vis negative of Rs.8.54 crore in FY23).

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

Rajkot-based (Gujarat), Whitefield Spintex (india) Private Limited (WSPL) incorporated in the year 2013 by Mr. Minesh Jagani, Mr. Alvish Jagani and Mr. Deep Kalaria under the business of manufacturing of cotton yarn. However, from August 30, 2020, the operations of the company discontinued. Subsequently the management has been taken over by Vimal Tadhani, Ashvin Sorathia, Dhaval Sorathiya, Satish Varasani and Minesh Jagani (old promoter) and commenced its operations from November 21, 2022. WSPL currently manufactures cotton yarn of 24CCH, 26CCH & 30CCH from cotton bales having 13,000 spindles with an installed capacity of 4510 MTPA as on March 31, 2024. The cotton bales and single cotton yarn purchased locally, while the cotton yarn manufactured by WSPL sold all over India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	20.03	82.75	74.44
PBILDT	0.63	4.11	NA
PAT	4.97	0.23	NA
Overall gearing (times)	NEG	NEG	NA
Interest coverage (times)	0.59	1.00	NA

A: Audited UA: Unaudited; Neg: Negative; NA- Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: ICRA, vide its press release dated April 04, 2024, has retained the credit rating of bank facilities of WSPL under non-cooperation category due to non-availability of information

Any Other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: 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		-	-	-	10.00	CARE B+; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	2.13	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	01/09/2029	23.07	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	1.35	CARE A4

Annexure-2: Rating History of 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	23.07	CARE B+; Stable	1)CARE B+; Stable (25-Jun-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (20-Feb-24)	1)CARE B; Stable (12-Dec-22)	1)CARE D; ISSUER NOT COOPERATING* (13-Sep-21)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable	1)CARE B+; Stable (25-Jun-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (20-Feb-24)	1)CARE B; Stable (12-Dec-22)	1)CARE D; ISSUER NOT COOPERATING* (13-Sep-21)
3	Non-fund-based - ST-Bank Guarantee	ST	1.35	CARE A4	1)CARE A4 (25-Jun-24)	1)CARE A4; ISSUER NOT COOPERATING* (20-Feb-24)	1)CARE A4 (12-Dec-22)	1)CARE D; ISSUER NOT COOPERATING* (13-Sep-21)
4	Fund-based - LT-Proposed fund based limits	LT	2.13	CARE B+; Stable	1)CARE B+; Stable (25-Jun-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (20-Feb-24)	1)CARE B; Stable (12-Dec-22)	-

*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 the rated instrument / facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

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

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please click here

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

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