

Vaibhav Spintex Private Limited
April 02, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	54.31 (Reduced from 58.62)	CARE BB-; Stable	Reaffirmed

Details of facilities in Annexure-1

Rationale and key rating drivers

The reaffirmation in the rating assigned to bank facilities of Vaibhav Spintex Private Limited (VSPL) factors improvement in scale of operation and profitability in FY24 (FY refers to the period from April 01 to March 31) & 11MFY25 (Provisional, refers to the period from April 01 to December 31) considering full years of operations for FY24. CARE ratings also factors in improvement in capital structure and other debt coverage indicators, though, remain moderate. The rating derives strength from the established track record of operation and experienced promoters, locational advantage emanating from proximity to raw material, and subsidy benefits under Government of Maharashtra Textile Scheme. However, the rating is constrained due to short track record of operations, profitability margins susceptible to fluctuation in key raw material prices, risk associated with seasonality, fragmented nature of industry, and working capital intensive nature of operations.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- The company's ability to scale up operations above ₹250 crore with improving profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 10% on a sustained basis.
- Improving overall gearing to below 1.25x with interest coverage of more than 3x.
- Improving inventory holding period below 25 days and timely realization of debtors resulting in overall improvement in its liquidity position on a sustained basis.

Negative factors

- Un-envisaged debt-funded capex leading to deteriorating overall gearing levels to more than 2.00x.
- Declining profitability with PBILDT margin below 6%.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the promoters' extensive experience and management in the industry.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations with limited track record

The scale of operations of the company continues to remain small. The company has a short track record of over five months of operations in manufacturing cotton bales in FY23, as it commenced operations on October 1, 2022. Considering the full year of operations in FY24, the company registered revenue of Rs 185.31 crores in FY24, up from Rs 35 crores in FY23. Further, during 11MFY25, VSPL has recorded ₹155 crore in revenue. This growth indicates a gradual stabilization, marked by an increasing trend in month-on-month capacity utilisation. Despite volatility in raw material prices, the company's PBILDT margin improved to 8.42% in 11MFY25 as against 3.86% in FY24. Given its limited track record of operations, the ability of the company to ramp up scale and profitability margins from current levels remains to be seen and hence remains a key rating monitorable.

Profitability margins susceptible to fluctuation in key raw material prices

The basic raw material consumed by VSPL to produce yarn is raw cotton, accounting for more than 80-85% of total cost of production. The raw cotton prices are volatile in nature and depend upon multiple factors such as area under production, yield for the year, vagaries of the monsoon, international demand-supply scenario, inventory carry forward from the previous year, and minimum support price (MSP) decided by the government, among others. The raw cotton prices have been volatile over last couple of years, which translates into risk of inventory losses for the industry players, though at times it also leads to inventory gains. Collectively, these factors and intense competition in the industry contribute to low bargaining power of yarn manufacturers and volatility in profitability.

Risk associated with seasonality and fragmented nature of industry

The cotton business is highly seasonal in nature, as the sowing season is from March to July and the harvesting season is spread from November to February. Hence, working capital utilization is high in the peak season, resulting in low financial flexibility to shield against any adverse situation in the peak period. The cotton industry is highly fragmented with numerous

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

players operating in the unorganised sector. As VSPL faces stiff competition from other players operating in the same industry in the same area, it results in the low bargaining power of VSPL against its customers.

Working capital intensive nature of operations

The company's operations remain working capital-intensive owing to seasonality associated with availability of raw material. The company's working capital requirements are met by the cash credit facility and the average utilization of the Cash Credit (CC) limit remains on the higher side in the peak season (October-March). The average inventory period increased from 36 days in FY23 to 52 days in FY24 due to elevated stocking of inventory, to mitigate the cotton price volatility. Resultantly, the operating cycle stood increased at 30 days in FY24 as against 34 days in FY23.

Key strengths

Experienced promoters

The company is promoted and directed by Nanda Bhandari and Usha Bhandari. The day-to-day and overall operations are managed by family, including Ashok Bhandari, Swapnil Bhandari, and Shrenik Bhandari. They bring over 15 years of experience through their involvement with group companies, Cottex Private Limited, Vaibhav Cotgin Private Limited, and Vaibhav White Gold Private Limited.

Leveraged capital structure & moderate debt coverage indicators; albeit improved in FY24

The company's capital structure remained leveraged as on March 31, 2024, with overall gearing of 1.91x as on March 31, 2024 (as against 2.06x as on March 31, 2023) and further improved to 1.48x in 11MFY25. The improvement in gearing was due to an increase in tangible net worth (TNW). As on March 31, 2024, the total debt to gross cash accruals (GCA) remained at 5.87x in FY24 as against 39.57x on the back of improvement in GCA and full year of operations. PBILDT interest coverage ratio remained at 1.28x in FY24 as against 1.54 as on March 31, 2023. The promoters have raised unsecured loan (USL) of ₹6.98 crore from family towards project cost and working capital margin. USL from the director is long term in nature. According to the sanction letter, it is subordinate to bank loan with interest on USL lower than the bank interest rate.

Locational advantage emanating from proximity to raw material

VSPL's manufacturing facility is at Yavatmal (situated in the eastern part of Vidarbha, Maharashtra) which is in vicinity of the cotton-growing region of Maharashtra resulting in easy availability of raw cotton leading to lower logistics and other related costs. Moreover, there is robust demand of cotton bales and cotton seeds in the region due to presence of spinning mills in the region.

Subsidy benefits under Government of Maharashtra Textile Scheme

VSPL has secured a subsidy of ₹7.21 crore in FY24 under Maharashtra's Package Scheme of Incentives (PSI) administered by the District Industries Centre (DIC). This subsidy is linked to the company's capital investment of ₹79 crore and is structured to be disbursed over a period of 10 years, ensuring an annual claim of approximately ₹7-8 crore starting from FY24. The calculation is based on a standardized approach, where the total eligible investment is divided over the subsidy tenure, providing financial stability and predictability. Maharashtra's PSI aims to promote industrial development by offering incentives such as capital and electricity subsidies to reduce operational costs and enhance competitiveness.

Liquidity: Stretched

The company's liquidity is stretched characterised by accruals of ₹9.65 crore in FY24 to repay its expected term debt obligations of ₹5.16 crore in FY25 and with moderate cash and bank balance of around ₹3.09 crore as on March 31, 2024. On an average, the maximum utilisation of fund-based working capital borrowing (cash credit) was 97% in past 12 months ending in February 2025.

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](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles & apparels	Garments & apparels

Established in 2020 as a private limited company by Nanda Bhandari and Usha Bhandari, VSPL is engaged in manufacturing cotton yarn and processing of cotton bales. The entity has installed capacity of 20,064 spindles per annum. The registered office and manufacturing unit is at Moharli, Taluka Wani, District Yavatmal, Maharashtra. VSPL procures raw material, cotton bales,

from the market and sells cotton yarn and cotton bales (after processing for cleaning) to brokers and agents across Maharashtra and other parts of India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	39.23	185.20	154.70
PBILDT	3.62	7.15	13.03
PAT	0.01	0.10	0.58
Overall gearing (times)	2.06	1.91	1.48
Interest coverage (times)	1.54	1.28	3.04

A: Audited; UA: Unaudited. Note: 'These are latest available financial results'

The financials are classified per CARE Ratings' Standards.

Status of non-cooperation with previous CRA:

Brickwork has reviewed the rating assigned to the bank loan facilities of VSPL under 'Issuer Not Cooperating' category vide press release dated February 21, 2025, on account of its inability to carry out a rating review in the absence of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of 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		-	-	-	15.00	CARE BB-; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	1.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	30-08-2030	36.31	CARE BB-; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	2.00	CARE BB-; Stable

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	36.31	CARE BB-; Stable	1)CARE BB-; Stable (30-May-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Mar-24)	1)CARE B; Stable (23-Mar-23)	-
2	Fund-based - LT-Cash Credit	LT	15.00	CARE BB-; Stable	1)CARE BB-; Stable (30-May-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Mar-24)	1)CARE B; Stable (23-Mar-23)	-
3	Non-fund-based - LT-Bank Guarantee	LT	2.00	CARE BB-; Stable	1)CARE BB-; Stable (30-May-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Mar-24)	1)CARE B; Stable (23-Mar-23)	-
4	Fund-based - LT-Proposed fund based limits	LT	1.00	CARE BB-; Stable	1)CARE BB-; Stable (30-May-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-Mar-24)	1)CARE B; Stable (23-Mar-23)	-

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

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable**Annexure 4: Complexity level of various instruments rated**

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 - LT-Bank guarantee	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instrument: CARE Ratings 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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About us:

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