Vivekanand Cotspin Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.49	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	28.00 (Enhanced from 16.00)	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Vivekanand Cotspin Limited, CARE Ratings Limited (CARE Ratings) has considered a combined analytical view of Vivekanand group (VG) entities viz. Vivekanand Industries (VI; rated CARE BB; Stable/ CARE A4), Vivekanand Cotspin Limited (VCL; formerly known as Vivekanand Cotspin Private Limited) and Ambica Cotseeds Limited (ACL), on account of common management and promoter group, presence in similar line of business, and operational linkages.

The ratings assigned to the bank facilities of VG continue to remain constrained on account of its moderate scale of operations, thin profitability margin, highly leveraged capital structure as well as weak debt coverage indicators and stretched liquidity. The ratings are also constrained by VG's presence in a highly fragmented and competitive textile industry, and susceptibility of its profitability to fluctuation in cotton prices.

The ratings, however, continue to derive strength from vast experience of promoters with established track record of operations in the textile industry, moderate net worth base and locational advantage being present in the cotton growing state of Gujarat

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations along with improvement in PBILDT margin above 3.5% on a sustained basis leading to improved liquidity for the company.
- Improvement in debt coverage indicators with PBILDT interest coverage above 2x and total debt/ GCA below 10x on sustained basis

Negative factors

- Moderation in scale operations or profitability resulting in further deterioration in liquidity of the company
- Deterioration in capital structure marked by overall gearing above 2.5x on a sustained basis

Analytical approach: Combined

CARE has considered combined financial and operational risk profile of VI, VCL and ACL as all the entities are engaged in similar line of business, promoted by same promoter group, are under common management as well as have operational linkages.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that the group is likely to sustain its business risk profile on account of its experienced promoters and integrated operations.

Detailed description of key rating drivers

Key weaknesses

Moderate scale of operations and thin profitability

During FY24, VG reported Total operating income (TOI) of Rs. 591.14 crore as against Rs.438.41 crore in FY23 with some traction in demand. Also, PBILDT margin remained thin and volatile at 3.72% in FY24 as against 0.88% in FY23. PBILDT margin was thin due to limited value addition in ginning business and high competition prevalent in the textile industry. TOI and profitability have historically remained volatile primarily due to volatile cotton prices.

Highly leveraged capital structure and weak debt coverage indicators, however moderate networth base

Capital structure of VG remained highly leveraged marked by overall gearing of 2.18x as on FY24 end as against 0.98x as on FY23 end. Moderation in the overall gearing was mainly due to higher working capital requirements to fund negative cash flow from operations with growth in scale of operations. However, VG's networth base was moderate at Rs.68.17 crore at FY24 end. Furthermore, debt coverage indicators of VG were also modest marked by PBILDT interest coverage and TDGCA of 2.11x and 13.65x respectively in FY24, primarily owing to thin profitability and high reliance on debt for working capital requirement.

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

Presence in a highly fragmented and competitive industry

The textile 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.

Susceptibility of profitability to volatile raw material prices

The profitability of cotton textile players is highly susceptible to changes in the price of cotton. The price of cotton is fixed by the government through the Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation, which restricts bargaining power with suppliers as well. The profitability is also governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. However, VG tries to forecast the demand in the market and endeavours to keep the inventory time period within 25-30 days. Also, VG is able to partly pass on any significant change in raw material prices to its customers.

Key strengths

Long track record with integrated operations

Vivekanand group, through Vivekanand Industries has a long and established track record of operations of over four decades in the textile industry; being operational since 1983. VI is engaged in cotton ginning and manufacturing of cotton oil cakes. Further, the group also ventured into spinning via ACL and started selling in export market. In 2015, the group enhanced its facilities by incorporating VCPL which is engaged in both ginning and spinning. Since FY23, ACL has limited only to trading of cotton bales and cotton yarn, primarily to export market. Thus, the group is vertically integrated from procurement of raw materials to sales of cotton yarn and cotton oil cakes.

Location Advantage

VG's plant is located in Mehsana (Gujarat) which has raw cotton available within the proximity. Also, Gujarat is the largest producer of cotton in India. VG's presence in textile manufacturing region results in benefit derived from lower logistic cost (both on transportation and storage), easy availability and procurement of raw materials at effective prices.

Liquidity: Stretched

Liquidity of VG remained stretched with GCA expected to be tightly matched with term loan repayment of around Rs.8.00 crore in FY25. Also, Utilization of fund-based limits remained moderate at 76% for the past 12 months ending June 2024. Cash and bank balances also remained low at Rs. 2.48 crore at FY24 end. Further, cash flow from operations remained negative mainly due to higher O/s inventory and debtors as on balance sheet date as February and March remains peak season for cotton procurement for industry players.

Applicable criteria

Consolidation
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

About Vivekanand Group:
Vivekanand Group (VG) was established in 1983 by Patel family. The group is involved in manufacturing and marketing of cotton products both in the domestic and international market.

About Vivekanand Cotspin Limited:
Vivekanand Cotspin Limited (VCL) was established in 2015 and is promoted by the Patel family. The company was established as LLP and later in August 2024, it got converted to Private Limited. Subsequently, in December 2024, it got converted into a limited company. The manufacturing facility of the company is located in Mehsana, Gujarat. The entity is engaged in the business of cotton ginning and spinning with an installed capacity of 400 bales per day for ginning and an installed capacity of 25,000 spindles for spinning.

Financial Performance: Combined

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	438.41	591.14
PBILDT	3.84	22.00
PAT	1.62	4.22
Overall gearing (times)	0.98	2.18
Interest coverage (times)	0.60	2.11

UA: Unaudited; as financials are combined based on line by line addition and netting off intergroup transactions; Note: these are latest available financial results

Financial Performance: Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	300.80	357.76
PBILDT	8.65	15.01
PAT	0.96	3.66
Overall gearing (times)	0.86	1.48
Interest coverage (times)	1.88	3.41

A: Audited ; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Crisil has placed ratings assigned to the bank facilities of Vivekanand Cotspin LLP in "Issuer Not co-operating" category vide press release dated November 25, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information.
Brickworks has placed ratings assigned to the bank facilities of Vivekanand Cotspin LLP in "Issuer Not co-operating" category vide press release dated September 26, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	28.00	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	31-08-2029	20.49	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/Non-fund-based-LT/ST	LT/ST	28.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (11-Sep-24)	-	-	-
2	Term Loan-Long Term	LT	20.49	CARE BB; Stable	1)CARE BB; Stable (11-Sep-24)	-	-	-

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/Non-fund-based-LT/ST	Simple
2	Term Loan-Long Term	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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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