

Smruti Spintex Private Limited

July 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.50	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has been seeking information from Smruti Spintex Private Limited (SSPL) to monitor the ratings vide e-mail communications dated June 13, 2025, June 09, 2025, May 28, 2025, May 21, 2025, and April 25, 2025, amongst others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. Also, SSPL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CareEdge Ratings has reviewed the rating on the basis of the best available information which however, in CareEdge Ratings' opinion is not sufficient to arrive at a fair rating. The ratings on SSPL's bank facilities will now be denoted as **CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Ratings assigned to the bank facilities of SSPL have been revised on account of non-availability of the requisite information to conduct the review. Ratings continued to remain constrained on account of its nascent stage of operations, susceptibility of its profit margins to volatility in raw material prices, presence in competitive and cyclical textile industry and stretched liquidity. Ratings, however, derive strength from the long-standing experience of promoters in textile business, favourable plant location and financial risk profile marked by moderate profitability, leveraged capital structure and weak debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of SSPL is "Stable" as CareEdge Ratings expects the entity would continue to benefit from the extensive experience of the promoters in the industry along with location advantage with presence in cotton ginning hub with easy access to raw materials.

Detailed description of the key rating drivers:

At the time of last rating on June 05, 2024, following were the key rating strengths and weaknesses considered.

Key weaknesses

Nascent stage of operations

SSPL started commercial production from October 2023 month, hence it has a limited track record of operation. During first six months of operations, it reported total operating income (TOI) of Rs.43.27 crore and likely to achieve around Rs.80-90 crore during FY25.

Susceptibility of profitability to volatile cotton prices

SSPL's profitability is susceptible to the movement in the prices of raw cotton which is the key raw material for production of cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players.

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

Presence in the competitive and inherently cyclical industry

The yarn manufacturing industry is highly competitive and fragmented with the presence of large number of players which limits its pricing power. The textile industry also witnesses regulatory risks such as change in domestic and international government policies related to subsidies or imports / exports. Also, there is stiff competition from the countries like Bangladesh, Vietnam etc. in terms of cotton exports. Furthermore, the textile industry is inherently vulnerable to the economic cycles and sensitive to the overall economic activities, hence, fortunes of industry players are lined to the overall underlying economic situation.

Financial risk profile marked by moderate profitability, leveraged capital structure and weak debt coverage indicators

SSPL has moderate profitability marked by PBIDLT margin of 6.45% in FY24. However, it reported net loss of Rs.2.10 crore in FY24 mainly owing to higher depreciation and interest charges. Gross cash accruals (GCA) remained thin at Rs.0.21 crore during FY24. SSPL implemented the project with total cost of around Rs.59 crore which was funded from the term loan of Rs.33.50 crore and balance Rs.25.70 (including Rs.15 crore of equity contribution and balance in terms of unsecured loan) from the promoter contribution.

SSPL's capital structure remained leveraged marked by overall gearing of 3.72x as on March 31, 2024. Debt coverage indicators remained weak marked by PBIDLT Interest coverage of 1.04x.

Key strengths

Experienced promoters

SSPL is promoted by Mr. Trikam Patel, Mr. Sanjay Patel, Mr. Jagdish Patel, Mr. Prakash Patel and Mr. Hasmukhlal Satapara. Promoters of the company are associated with the cotton industry for more than a decade. Presence of more than a decade in the cotton industry has enabled them to develop a strong understanding of market dynamics and established supplier and customer base.

Favourable location of its manufacturing unit with proximity to cotton growing region.

The manufacturing facility of SSPL is located near Surendranagar, Gujarat. Since Gujarat is India's major cotton producing belt, it helps SSPL to easily procure cotton from ginners in surrounding locality and offers SSPL locational advantage in terms of lower logistics expenditure (both on the transportation and storage). It procures raw material i.e. cotton from the players in its vicinity with part of the raw material requirement also being met from its associate namely Ekta Cotton Industries.

Applicable criteria

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Definition of Default](#)

[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

Incorporated in February 2021, Smruti Spintex Private Limited (SSPL) is promoted by Mr. Trikam Patel, Mr. Sanjay Patel, Mr. Jagdish Patel, Mr. Prakash Patel and Mr. Hasmukhlal Satapara. Based in Dhrangdhra, Gujarat, the company has set up a spinning mill comprising 16,416 spindles with the capacity of around 5,760 tonne per year as on March 31, 2024. The unit has commenced its operations from October 2023.

Brief Financials (₹ crore)	FY24 (A)*
Total operating income	43.27
PBIDLT	2.79
PAT	-2.10
Overall gearing (times)	3.72
Interest coverage (times)	1.04

A: Audited; Note: *these are the latest available financial results; *Company has commenced its operations from October 2023.

Status of non-cooperation with previous CRA: CRISIL vide its press release dated October 23, 2024, had reviewed the ratings of SSPL under "Issuer Not Co-operating" category on account of inadequate information and lack of management cooperation.

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 - LT-Term Loan	-	-	-	02/04/2032	33.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit	-	-	-	-	6.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	1.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

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

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	33.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (05-Jun-24)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (05-Jun-24)	-	-
3	Fund-based - LT/ ST-Cash Credit	LT/ST	6.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (05-Jun-24)	-	-

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

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	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-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 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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Jignesh Trivedi Assistant Director CARE Ratings Limited Phone: 079-40265631 E-mail: jignesh.trivedi@careedge.in
	Bhaumik Shah Analyst CARE Ratings Limited E-mail: Bhaumik.shah@careedge.in

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