Kian Cotspin LLP

August 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	51.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	2.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Kian Cotspin LLP (KCL) continue to remain constrained on account of short track record of operations, susceptibility of its profitability to volatility in cotton prices, presence in highly competitive and cyclical textile industry, constitution as a limited liability concern and stretched liquidity.

Ratings, however, continue to derive strength from the experience of promoters in textile business, favourable location of its manufacturing unit with proximity to cotton growing region, moderately leveraged capital structure and moderate debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operation with total operating income (TOI) above Rs.150 crore and profit before interest, lease, depreciation and tax (PBILDT) margin above 8% on sustained basis.
- Improvement in its capital structure marked by overall gearing below 2x on sustained basis

Negative factors

- Decline in TOI below Rs.70 crore on a sustained basis
- Moderation in PBILDT interest coverage ratio below 1.25x
- Deterioration in its capital structure marked by overall gearing above 3.50x

Analytical approach: Standalone

Outlook: Stable

The outlook on long-term rating of KCL is "Stable" on CARE Ratings Limited's (CareEdge Ratings) expectation of continued benefit from the extensive textile industry experience of promoters along with advantage from favourable location with presence in cotton ginning hub which enable easy access to raw materials and skilled labours.

Detailed description of key rating drivers:

Key weaknesses

Short track record of operations with moderate profitability

KCL commenced operation from July 2023 in a phase-wise manner. It started production with an installed capacity of 5,472 spindles from July 2023 and as on March 31, 2025, company is operating with 14,592 spindles. KCL reported significant growth of ~58% y-o-y in revenue mainly driven by volume growth of ~50% and realisation growth of ~5% in FY25. In FY25, company's TOI stood at Rs.120.04 crore as against Rs.56.84 crore in first nine months of operation in FY24. Profitability remained moderate marked by PBILDT margin of 7.35% in FY25 (P.Y.: 11.32%).

Owing to high depreciation and interest cost, KCL reported net loss of Rs.2.93 crore in FY25 (P.Y.: net loss of Rs.3.47 crore). However, gross cash accruals (GCA) remained positive at Rs.5.17 crore in FY25 (P.Y.: Rs.3.76 crore).
In Q1FY26, KCL reported TOI of ~Rs.32 crore with PBILDT margin of 9.42%. For FY26, stable TOI while marginal improvement in PBILDT margins is envisaged.

Susceptibility of its profitability to volatility in raw material prices

KCL's profitability is susceptible to movement in raw cotton prices which is 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

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

support price (MSP) decided by the government. Price volatility entails the risk to profitability of the players dealing with commodity nature of end product i.e. cotton yarn.

Highly competitive and cyclical textile industry

The yarn manufacturing industry is highly competitive and fragmented with the presence of large number of integrated players which limits the pricing power of a small standalone unit. The textile industry also witnesses regulatory risks such as change in domestic and international government policies related to subsidies or imports / exports, which also affects the industry players. Also, there is stiff competition from countries like Bangladesh, Vietnam etc. in terms of cotton exports. KCL's major customers include merchant exporters which ultimately exports major goods to Bangladesh. Consequently, imposition of higher tariff on Bangladesh export may impact KCL's growth adversely. Further, the textile industry is inherently vulnerable to the economic cycles and is sensitive to overall economic activities, hence, fortunes of industry players are lined with overall economic situation.

Constitution as a limited liability concern

KCL's constitution as a limited liability concern restricts its overall financial flexibility in terms of limited access to external funding for any future expansion plans. There is also inherent risk of withdrawal of capital and dissolution of the firm in case of death/ insolvency of partners. There are no instances of capital withdrawal is observed since incorporation.

Key strengths

Experienced promoters

KCL is promoted by Vansjaliya, Detroja, and Amrutiya family. Promoters of the company have been engaged in cotton industry since 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 customer base.

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

The manufacturing facility of KCL is located at Jamnagar, Gujarat. Since Gujarat is India's major cotton producing belt, it helps KCL easily procuring cotton from nearby ginners with added advantage in terms of lower logistics expenditure (both on the transportation and storage). Firm procures raw material i.e. cotton bales from the players in its vicinity with part of the raw material requirement also being met from its associate namely Jay Dwarkadhish Ginning and Oil Industries thus benefiting from operational synergies.

Moderately leveraged capital structure and moderate debt coverage indicators

KCL's capital structure continue to remain moderately leveraged marked by overall gearing of 1.94x (FY24: 1.99x) as on March 31, 2025, and 1.91x as on June 30, 2025, mainly owing to recently completed debt funded capex. KCL installed 3 MW ground mounted solar plant at a cost of ~Rs.11.72 crore in FY25. The same was funded through term loan of Rs.7.41 crore and balance through capital infusion by partners. The solar plant was operationalised from FY25 and shall result in the power cost savings of ~Rs.2-2.6 crore annually going forward. KCL's capital base remained moderate at Rs.23.98 crore as on March 31, 2025, limiting its overall financial flexibility.

Debt coverage indicators remained moderate marked by PBILDT Interest coverage of 1.94x and total debt to GCA (TDGCA) of 8.99x in FY25 (FY24: 2.36x and 11.14x respectively). Further, with no debt funded capex plan and accretion of profits into reserves, capital structure is expected to improve going forward.

Liquidity: Stretched

The liquidity position of KCL remained stretched, marked by low GCA and cash and bank balance, high working capital utilisation and moderate liquidity ratios. KCL is expected to achieve GCA of ~Rs.7 crore as against scheduled debt repayment obligation of ~Rs.3.00 crore in FY26. It has low cash and bank balance of Rs.0.05 crore as on March 31, 2025. Cashflow from operations remained Rs.7.11 crore in FY25 (FY24: Rs.4.18 crore). Average fund-based working capital utilisation remained modest at 94% for 12 months ended July 2025. Liquidity ratios remained moderate marked by current ratio of 1.13x as on March 31, 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
Short Term Instruments

About the firm and industry

Industry classification

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

Incorporated in April 2021, KCL (LLPIN: AAW-8141) is promoted by Vansjaliya, Detroja, and Amrutiya family. Based in Jamnagar, Gujarat, KCL has set up a spinning mill comprising 14,592 spindles with the capacity of around 4,563 tonne per year as on March 31, 2025. The unit manufactures cotton yarn in the range of 16s to 40s.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)	Q1FY26 (P)
Total operating income	56.84	120.04	31.96
PBILDT	6.44	8.83	3.01
PAT	-3.47	-2.93	0.13
Overall gearing (times)	1.99	1.94	1.91
Interest coverage (times)	2.36	1.94	2.55

A: Audited P: Provisional; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	15.59	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	-	31-12-2031	35.41	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	2.50	CARE A4

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	35.41	CARE BB; Stable	-	1)CARE BB; Stable (24-Jul-24)	-	-
2	Fund-based - LT-Cash Credit	LT	15.59	CARE BB; Stable	-	1)CARE BB; Stable (24-Jul-24)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE A4	-	1)CARE A4 (24-Jul-24)	-	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - 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	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	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 Darshini Shah Lead Analyst **CARE Ratings Limited** E-mail: Darshini.Shah@careedge.in

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 Reserve Bank of India. 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. For more information: www.careratings.com

For detailed Rating Report and subscription information,
please visit www.careratings.com