

Gajavelli Spinning Mills Private Limited

December 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	49.19 (Reduced from 100.00)	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Gajavelli Spinning Mills Private Limited (GSMPL) is driven by moderate profitability, experience of the current management team, a moderate capital structure with debt coverage indicators, high working capital intensity, and stretched liquidity. However, ratings derive strength from growth in scale of operations, long-standing presence in the industry, established relationships with customers and suppliers, and favourable location of its manufacturing unit near the cotton-growing region.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the debt coverage metrics with total debt to gross cash accruals (TD/GCA) below 7x on a sustained basis.
- Significant improvement in scale of operations and improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 7% on a sustained basis.

Negative factors

- Availing further debt resulting in deterioration of leverage and coverage indicators.
- Moderation in scale operations or profitability resulting in further deterioration in liquidity of the company.
- Further elongation of operating cycle beyond 150 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) expects that the entity will benefit from its long-standing presence in the industry and established relationships with customers and suppliers.

Detailed description of key rating drivers:

Key weaknesses

Moderate profitability

GSMPL's operating profitability has remained stable, with PBILDT margins consistently in the 4-6% range in the last five years. The PBILDT margin was 4.71% in FY25, compared to 4.91% in FY24, reflecting a marginal decline of 20 basis points due to higher cost of goods sold, which could not be fully passed on to customers amid subdued demand and intense competition. Return on capital employed (ROCE) remained modest at 4.33% in FY25 (PY: 3.80%).

Moderate experience of current management team

The company was incorporated on April 25, 2006, by Gajavelli Poornachandra Rao and Gajavelli Venkateshwara Rao. Following the demise of promoters, the business is now managed by their sons, who have around six years of industry experience. While their tenure in the sector is relatively short, they have gained substantial operational knowledge and understanding of the business. The existing management has demonstrated ability to run the company and maintain continuity in operations.

Moderate capital structure and debt coverage indicators

The entity's capital structure improved and remained moderate, with overall gearing reducing to 0.84x as on March 31, 2025 (from 1.37x as on March 31, 2024). Improvement was primarily driven by lower working capital borrowings and a reduction in term debt. The total outside liabilities to net worth ratio also improved to 0.90x as on March 31, 2025 (from 1.42x as on March 31, 2024). Debt coverage indicators remained moderate in FY25. Interest coverage (PBILDT/Interest) was moderate at 1.58x (FY24: 1.83x), while TD/GCA remained high at 16.18x, though better than 24.36x in FY24. Going forward, debt coverage metrics are expected to strengthen.

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

Moderately High working capital intensity

Operations continue to remain working-capital intensive, as reflected in gross current asset days of 158 days in FY25 (PY: 255 days) and a working capital cycle of 112 days (PY: 132 days). Improvement in FY25 was primarily due to a reduction in the average inventory holding period from 122 days to 102 days. Inventory levels typically peak as on March 31 each year, as the company purchases cotton in bulk in the harvesting season (November-March), when prices are relatively lower, and stores it for future use.

Key strengths

Growth in scale of operations

Total operating income (TOI) grew by 11.81% in FY25 (FY refers to April 01 to March 31), rising to ₹172.29 crore from ₹154.09 crore in FY24, primarily driven by higher turnover from lint trading. In H1FY26, the company reported sales of ₹72.14 crore and is expected to achieve full-year turnover of ~₹170-₹180 crore, broadly in line with FY25 performance. As of March 31, 2025, the company's net worth stood at ₹59.61 crore, reflecting a stable financial position.

Long standing in the industry and established relationship with customers and suppliers

Although the management is relatively new in the industry, the entity has a vintage of ~19 years and a strong customer and supplier base, which is expected to support the company's growth and operations.

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

GSMPL's manufacturing facility is in Guntur district, Andhra Pradesh, a major cotton-cultivating region. GSMPL primarily procures cotton lint from ginners in the surrounding locality, which lowers procurement cost (transportation and storage) and ensures ready availability of raw material.

Liquidity: Stretched

The company's liquidity remains stretched, with GCA tightly aligned to its debt repayment obligations. Working capital limits of ₹45 crore were utilised at an average of ~81% for 12 months ended August 31, 2025. There were no instances of overdrawing or utilisation of ad-hoc limits in the same period. Cash flow from operations turned positive at ₹40.69 crore in FY25, compared to negative cash flows in FY24, primarily due to lower inventory levels. Unencumbered cash and bank balances improved to ₹3.06 crore as of March 31, 2025 (₹0.31 crore as of March 31, 2024). As of March 31, 2025, the current ratio stood at 1.60x and the quick ratio at 1.00x.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Other textile products

GSMPL is a private limited company incorporated on April 25, 2006, by Gajavelli Poornachandra Rao and Gajavelli Venkateshwara Rao. The company manufactures cotton yarn and has an installed capacity of 35,184 spindles. It also operates a 2 MW windmill and a 1.5 MW in-house solar unit for captive consumption.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	154.09	172.29	72.14
PBILDT	7.56	8.12	NA
PAT	0.27	0.43	NA
Overall gearing (times)	1.37	0.84	NA
Interest coverage (times)	1.83	1.58	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA

Brickwork downgraded the rating from 'BWR B+; Stable/BWR A4' to 'BWR B; Stable/BWR A4' and continued the rating assigned to bank facilities of GSMPL under the ISSUER NOT COOPERATING category, per its press release dated August 06, 2025, considering its inability to carry out a review due to non-availability of requisite information from the company.

ICRA reaffirmed the rating at 'ICRA B+; Stable' and continued the rating assigned to bank facilities of GSMPL under the ISSUER NOT COOPERATING category, per its press release dated June 18, 2025, considering its inability to carry out a review due to non-availability of requisite information from the company.

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 (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		-	-	-	45.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	30-11-2026	4.19	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 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-Cash Credit	LT	45.00	CARE BB; Stable	-	1)CARE BB; Stable (26-Nov-24)	-	-
2	Fund-based - LT-Term Loan	LT	4.19	CARE BB; Stable	-	1)CARE BB; Stable (26-Nov-24)	-	-

LT: Long 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

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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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