

Salona Cotspin Limited

March 30, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	166.58 (Reduced from 185.02)	CARE BBB-; Stable	Downgraded from CARE BBB; Negative
Short-term bank facilities	109.50 (Enhanced from 100.50)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Salona Cotspin Limited (SCL) factors in the significant deterioration in the company's capital structure and debt protection metrics for two years ended FY25 (refers to period of April 01 to March 31) and in 9MFY26 (refers to period of April 01 to December 31). This deterioration is attributable to the slower-than-expected and lower-than-envisaged ramp-up of operations at the recently acquired spinning unit, which was largely funded through debt, and an increase in working capital borrowings due to an elongation in the operating cycle. Ratings are further constrained by rising geographical concentration of revenues in Bangladesh, which accounted for over 55% of total revenues in FY25, up from 32% in FY23, where the company also experienced delays in realisation of receivables.

Ratings continue to derive strength from extensive experiences of promoters in the textile industry, and long track record of operations. Ratings also derive strength from established relationship with its customers, diversified customer profile in export and domestic markets, and benefits derived from captive power consumption. However, ratings are constrained by profitability margins inherent to raw material price volatility, and exposure to foreign currency rate fluctuation.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to increase operating income over ₹700 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 6% on a sustained basis.
- Ability to improve overall gearing below 2.0x.
- Improvement in debt coverage metrics with total debt to gross cash accruals (TD/GCA) below 6x on a sustained basis.

Negative factors

- Moderation in interest coverage below 1.25x on a sustained basis.
- Increase in overall gearing above 3x.
- Stretch in the working capital cycle over 150 days.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the company is expected to sustain its growth in scale of operations with incremental capacities, long-standing relationship with customers and maintain profitability aided by the captive power.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters in the textile industry

Shyamlal Agarwala, Managing Director and Chairman, has over five decades of experience in textile industry, especially in commodity trading and procurement. He was ex-president of Coimbatore Yarn Merchants & Brokers Association. Manoj Kumar Jhajhariya, son of Shyamlal Agarwala, is the Joint Managing Director of the company and has around three decades of experience in the textile industry. He looks after the company's day-to-day operations. Raghav Agarwal, Director and son of Manoj Kumar Jhajheria, is the third-generation entrepreneur, having over six years of experience in the textile sector and takes care of international marketing and promotional activities.

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

Long-established operational track record

SCL was incorporated in 1994. As on December 31, 2025, SCL installed capacity of 43,488 spindles and 12 knitting machines. The company is involved in trading yarn and fabrics, whose contribution stood at 62% in FY25 (PY: 65%). Total operational income decreased from ₹722.26 crore in FY24 to ₹662.16 crore in FY25 by 8.82% y-o-y. Decline in scale of operations is primarily attributed to decrease in trading activity. PBILDT margin stood at 4.83% in FY25, marginally increased from 4.19% in FY24. The company booked total operating income (TOI) of ₹483.65 crore with PBILDT margin of 5.49% in 9MFY26.

Benefits derived from captive power consumption

SCL installed capacities of 4 MW of ground solar, 2.40 MW of rooftop solar, and windmills of capacity 4.45 MW, which are commissioned in the recent past for captive power consumption. These sources contribute to ~70% of SCL's power requirements.

Diversified customer profile; however geographically concentrated

SCL has a diversified customer base, but its revenue remains geographically concentrated, with exports accounting for 83% of TOI in FY25. Bangladesh continues to remain the major export market with income contribution increased from 30-40% for two years ending FY24 to over 55% in FY25 and in the current year. Top five customers contributed 33% of TOI (PY: 16%) in FY25. With delays in realisation of export bills from Bangladesh, SCL's ability to reduce dependence on Bangladesh remains key to its prospects.

Key weaknesses**Moderate capital structure and debt protection metrics**

Capital structure stood moderate with overall gearing at 2.90x as on March 31, 2025, increased from 2.12x as on March 31, 2023, due to debt funded capex towards acquisition of spinning unit and high working capital utilisation. Debt coverage metrics moderated with TD/GCA at 19.31x (PY: 18.50x) as on March 31, 2025. Interest coverage ratio also declined to 1.70x in FY25 from 3.70x in FY23.

Lower-than- envisaged scale up operations in new unit

SCL acquired a non-operational spinning unit with an installed capacity of 18,000 spindles for ₹48.0 crore, funded through a ₹36.0 crore term loan and the balance from internal accruals. The unit was originally expected to commence full commercial operations by October 2024 but faced delays due to extended trial runs and modernization activities. Against earlier expectation, the new unit recorded slower-than-anticipated ramp-up in operations due to moderate capacity utilisation.

Exposure to volatility of raw material price and forex rates

Profitability of textile mills depends largely on the cotton and cotton yarn prices, which are governed by factors, such as area under cultivation, monsoon, and international demand-supply situation, among others. Cotton yarn is the major raw material for knitting mills, movement in cotton prices without parallel movement in yarn prices impact profitability of spinning mills. The cotton textile industry is inherently prone to volatility in cotton and yarn prices. CARE Ratings Limited (CareEdge Ratings) notes that with all exports denominated in USD and rupee depreciating against US dollar for the last few years, the company is exposed to foreign exchange risk.

Liquidity: Stretched

Liquidity is stretched, characterised by tightly matched cash accruals against expected repayment obligation of ₹13.0 crore in FY26. Free cash balance stood minimal at ₹0.11 crore as on March 31, 2025. Collection period remained elongated at 76 days in FY25, which moderated from 44 days in FY22. The company also faced instances of delayed collection of receivables relating to bills discounted from Bangladesh-based customers, with delays of ~10–15 days observed in a few instances. Operating cycle stood stretched at 105 days in FY25 (PY: 92 days). Average working capital utilisation of fund-based limits stood high at 94.66%, while that of the bill discounting (FDBD) stood at 92.21% for 12 months ending February 2026. The current ratio stood at 1.14x as on March 31, 2025 (PY: 1.23x).

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](#)
- [Short Term Instruments](#)
- [Wholesale Trading](#)

About the company and industry

Industry classification

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

SCL was incorporated in 1994 by Shyamlal Agarwala, the Chairman. SCL is in Coimbatore, Tamil Nadu. Day-to-day operations are managed by Manoj Kumar Jhajheria, the Joint Managing Director. The company is engaged in manufacturing and trading yarn and grey fabrics. The company has installed capacities of 43,488 spindles and 12 knitting machines as on date.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	722.26	662.16	483.68
PBILDT*	30.24	31.97	26.54
Profit after tax (PAT)	6.13	3.14	2.93
Overall gearing (x)	3.22	2.90	NA
Interest coverage (x)	1.99	1.70	1.73

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

*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA:

India Ratings has reviewed the rating of SCL and classified it into 'issuer not cooperating' category based on best available information vide PR dated July 18, 2025. Reasons provided by India Ratings are non-furnishing of information for monitoring ratings.

Acuite has reviewed the rating of SCL and classified it into 'issuer not cooperating' category based on best available information vide PR dated September 05, 2025. The reasons provided by Acuite are non-furnishing of information for monitoring ratings.

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		-	-	-	100.50	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March 2037	66.08	CARE BBB-; Stable
Fund-based - ST-EPC/PSC		-	-	-	11.50	CARE A3
Fund-based - ST-Foreign Bill Discounting		-	-	-	98.00	CARE A3

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	66.08	CARE BBB-; Stable	-	1)CARE BBB; Negative (12-Mar-25)	1)CARE BBB; Stable (28-Dec-23)	-
2	Fund-based - LT-Cash Credit	LT	100.50	CARE BBB-; Stable	-	1)CARE BBB; Negative (12-Mar-25)	1)CARE BBB; Stable (28-Dec-23)	-
3	Fund-based - ST-EPC/PSC	ST	11.50	CARE A3	-	1)CARE A3 (12-Mar-25)	1)CARE A3+ (28-Dec-23)	-
4	Fund-based - ST-Foreign Bill Discounting	ST	98.00	CARE A3	-	1)CARE A3 (12-Mar-25)	1)CARE A3+ (28-Dec-23)	-

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	Fund-based - ST-EPC/PSC	Simple
4	Fund-based - ST-Foreign Bill Discounting	Simple

Annexure-5: Lender details

To 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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Sandeep P Director CARE Ratings Limited Phone: 914428501002 E-mail: sandeep.prem@careedge.in</p> <p>Naveen S Associate Director CARE Ratings Limited Phone: 914224502305 E-mail: naveen.kumar@careedge.in</p> <p>Ragavilashini Muralikrishnan Lead Analyst CARE Ratings Limited E-mail: Ragavilashini.M@careedge.in</p>
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