April 01, 2025

Viswateja Spinning Mills Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based- Cash Credit	40.00	60.00	[ICRA]BBB- (Stable); Reaffirmed
Long-term- Fund-based- Term Loan	22.69	17.10	[ICRA]BBB- (Stable); Reaffirmed
Short-term- Fund-based- short term loan	10.00	0.00	-
Long Term / Short Term-Unallocated	7.31	2.90	[ICRA]BBB- (Stable)/ [ICRA]A3; Reaffirmed
Total	**80.00**	**80.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation favourably factors in the extensive experience of the promoters of Viswateja Spinning Mills Private Limited (VSMPL) in the spinning industry and the company's presence in the value-added and medium-to-finer count yarn manufacturing that has helped it garner repeat orders from reputed customers, leading to higher margins compared to its peers that deal with coarser count yarn. ICRA notes that the revenues and the operating profit margin (OPM) of VSMPL fell by ~5% and 470 basis points (bps) on a YoY basis to ~Rs. 155 crore and ~8.3%, respectively, in FY2024 mainly due to moderation in realisations. However, the company has already achieved revenues of ~Rs. 133 crore and an OPM of ~12.5% in 9M FY2025 (as per provisional financials) on account of some stabilisation of raw material prices and a marginal improvement in realisations. Around 60% of its power requirement is met through captive windmill and solar power plant, thereby supporting the OPM. Further, ICRA expects the company's OPM to benefit from FY2026 on account of commercialisation of the second solar power plant in April 2025, which would enable VSMPL to meet 85-90% of its total energy requirement through captive sources.

However, the ratings are constrained by the moderate scale of operations with 49,728 spindles and low net worth. The ratings also consider the commoditised nature of the company's products, which coupled with the fragmented industry structure, result in limited pricing power, keeping profitability under check. Further, the ratings factor in the high working capital intensity of VSMPL's operations stemming from the seasonal nature of cotton availability that necessitates stocking during the harvest season and makes the profitability vulnerable to volatility in cotton prices. The availability and prices of cotton are also exposed to agro-climatic risks, which have a direct impact on cotton production.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company would continue to register a gradual revenue growth, backed by its promoters' extensive experience in the cotton industry and VSMPL's established presence in the value-added yarn segment.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoters in cotton industry – The promoters of VSMPL have extensive experience of over 45 years in the cotton spinning industry, leading to an established relationship with customers and suppliers. The management's experience in the industry also supports quality cotton procurement at favourable rates.

Established relationship and track record with reputed customer base – VSMPL derives the major portion of its revenues (~95% in 9M FY2025) from the sale of medium count yarn, i.e. 40s-60s, followed by finer count yarn (60s-80s), accounting for ~5% of the cotton yarn sales in 9M FY2025. The medium and finer count yarns enjoy higher realisation compared to coarser counts. The higher quality yarn is mainly sold to organised and reputed customers such as Raymonds, Siyaram and others, which offer premium prices for the required product. The company's focus on meeting the quality standards of the key customers helps it in maintaining long-term relationships and securing repeat orders.

Margins supported by partial captive power generation and presence in value-added yarn manufacturing – The company had constructed two windmills of 2 megawatts (MW) each at Anantapur and Molagavalli in FY2016 and FY2018, respectively. Also, the company has one solar power plant of 6 MW in the mill premises for in-house consumption with a generation capacity of around 0.95 to 1 crore units per annum. As on date, the company is consuming around 60% of its total energy requirement from its captive sources and the remaining is purchased from the state grid. Further, the company is in the process of setting up its second captive 6-MW solar power plant in Boyapalem, Guntur, Andhra Pradesh, which is expected to generate around 0.95 to 1 crore units of power per annum. This plant is expected to be commissioned by April 2025, post which the company will be able to meet 85-90% of its total energy requirement through captive sources. Presence of captive power has supported the company's margins over the years, and addition of the second solar power plant (to be commissioned in April 2025) would enable the company to become more cost efficient and drive the margins further.

Credit challenges

Moderate financial profile as characterised by modest scale of operations and moderate credit metrices – VSMPL has moderate scale of operations with an installed capacity of 49,728 spindles with capacity utilisation of 85-92% in the last 5 years. Hence, future revenue growth would be subject to improvement in realisations or an increase in its capacities. The increase in the working capital utilisations from FY2023 and moderation in OPM resulted in total debt/ OPBIDTA moderating to 6.9 times (3.5 times as on March 31, 2023) with an interest coverage ratio of 1.8 times as on March 31, 2024 (4.5 times as on March 31, 2023). However, ICRA notes that the company's shareholders have infused unsecured loans of Rs. 22.3 crore (as on March 31, 2024) at an interest rate of 10.0% per annum with no fixed repayment schedule. Further, the interest on these loans is also not being paid out and gets accumulated every year. Adjusting for these unsecured loans, the overall leverage and debt coverage indicators are marginally better with debt/ OPBDITA of 5.1 times and gearing of 0.8 times as on March 31, 2024.

Working capital-intensive operations; susceptible to volatility in cotton and cotton yarn prices – Like other entities in the spinning sector, VSMPL stocks cotton fibre during the harvest season from November to February/March for the next seven to eight months, i.e. until November or December. This practice exposes it to fluctuations in cotton and cotton yarn prices during the non-harvest period, as the procurement cost becomes fixed. This also results in a high inventory position for the company, particularly during the peak season. This results in high working capital intensity for the company, as indicated by net working capital/ operating income (NWC/OI) of 49.7% in FY2024.

Commoditised nature of yarn and fragmented industry structure keep profitability under check – The spinning industry is highly fragmented with a significant share of the unorganised segment. As a result, it enjoys limited pricing power, which is likely to keep VSMPL's profitability under check. Further, the revenues and the profit margins are exposed to industry cyclicality, having linkages with agricultural production and the monsoons.

Liquidity position: Adequate

The company's liquidity remains adequate with expected fund flows from operations of around Rs. 10 crore in FY2025 and Rs. 13 crore in FY2026 against an annual repayment obligation of around Rs. 5-5.40 crore during FY2025 to FY2027. The company has capex plans of ~Rs. 23 crore in FY2025, 50% of which is to be funded by term loan, which has already been sanctioned. Along with its internal accruals and unsecured loans from shareholders, the company utilises its cash credit limits of Rs. 60.0 crore at an average utilisation of ~66% for the 21 months ended December 2024) for managing its working capital requirement. Further, the promoters are expected to continue to support the company in case of any shortfall or cash flow mismatch.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a substantial growth in revenues and profitability, which strengthens the overall financial risk profile and improves the company's liquidity with better working capital management.

Negative factors – The ratings could witness a downward revision if margins decline significantly, resulting in weaker debt coverage metrics. Further, any unanticipated major debt-funded capital expenditure or a stretch in the working capital cycle, adversely impacting the liquidity and debt protection metrics, would be a key credit negative. Specific credit metrics that could result in a ratings downgrade include an interest coverage below 2.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Textiles (Spinning)
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Viswateja Spinning Mills Private Limited (VSMPL) was incorporated in June 2004 by Mr. Dasari Seshagiri Rao and is involved in producing medium and fine-count cotton yarn. Based in Guntur (Andhra Pradesh), the company commenced commercial production in April 2005 with a capacity of 13,104 spindles and ramped up its capacity to 49,728 spindles as on January 31, 2025. A part of the capacity (36,336 spindles) is run on a compact spinning system, producing value-added compact yarn. Mr. Chandrasekhar Dasari is the primary promoter, looking after the company's management along with the support of family members.

Key financial indicators (audited)

	FY2023	FY2024	9M FY2025*
Operating income	163.1	154.6	133.3
PAT	7.5	1.1	8.1
OPBDIT/OI	13.0%	8.3%	12.5%
PAT/OI	4.6%	0.7%	6.1%
Total outside liabilities/Tangible net worth (times)	1.3	1.4	1.1
Total debt/OPBDIT (times)	3.5	6.9	3.3
Interest coverage (times)	4.5	1.8	3.6

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	April 01, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long-term	60.00	[ICRA]BBB- (Stable)	Feb-05-24	[ICRA]BBB- (Stable)	Feb-16-23	[ICRA]B+(Stable) ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]B+(Stable) ISSUER NOT COOPERATING
Non-fund Based – Others	Long-term	-		Feb-05-24	-	Feb-16-23	[ICRA]B+(Stable) ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]B+(Stable) ISSUER NOT COOPERATING
Fund-based – Term loan	Long-term	17.10	[ICRA]BBB- (Stable)	Feb-05-24	[ICRA]BBB- (Stable)	Feb-16-23	[ICRA]B+(Stable) ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]B+(Stable) ISSUER NOT COOPERATING
Fund-based – Cash credit	Short-term	-		Feb-05-24	-	Feb-16-23	[ICRA]A4 ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]A4 ISSUER NOT COOPERATING
Fund-based – Short term loan	Short-term	0.00	[ICRA]A3	Feb-05-24	[ICRA]A3	Feb-16-23	-	Dec 09, 2021	-
Interchangeable – Others	Long-term/ Short-term	-	-	Feb-05-24	-	Feb-16-23	[ICRA]B+ (Stable) ISSUER NOT COOPERATING / [ICRA]A4 ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]B+ (Stable) ISSUER NOT COOPERATING / [ICRA]A4 ISSUER NOT COOPERATING
Unallocated	Long-term/ Short-term	2.90	[ICRA]BBB- (Stable)/ [ICRA]A3	Feb-05-24	[ICRA]BBB- (Stable)/ [ICRA]A3	Feb-16-23	[ICRA]B+ (Stable) ISSUER NOT COOPERATING / [ICRA]A4 ISSUER NOT COOPERATING	Dec 09, 2021	[ICRA]B+ (Stable) ISSUER NOT COOPERATING / [ICRA]A4 ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash credit	Simple
Long-term Fund-based – Term loan	Simple
Long-term / Short-term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Cash Credit	NA	NA	NA	60.00	[ICRA]BBB- (Stable)
NA	Long-term Fund-based – Term loan – I	FY2019	NA	FY2030	17.10	[ICRA]BBB- (Stable)
NA	Long-term / Short-term – Unallocated	NA	NA	NA	2.90	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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