

Vippy Spin Pro Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	29.77 (Reduced from 36.48)	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	28.30	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Vippy Spin Pro Limited (VSL) continues to derive strength from its experienced management with a long-standing track record of operations and established customer base. Ratings continue to factor its comfortable capital structure, debt coverage indicators, and adequate liquidity position.

However, ratings continue to be constrained due to VSL's moderate scale of operations despite significant growth in total operating income (TOI) in FY24, moderate and fluctuating profitability margins. Ratings further continue to be constrained considering its profitability susceptible to raw cotton price volatility and its presence in a competitive and cyclical textile industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume-driven growth in scale of operations above ₹300 crore, while maintaining profit before interest, lease rentals, depreciation, and taxes (PBILDT) margin above 12% on a sustained basis.
- Improving liquidity and gross current assets days below 120 days.

Negative factors

- Significant decline in scale of operations and deterioration in the PBILDT margin below 8% on a sustained basis.
- Changes in government regulation adversely impacting operations.
- Increasing working capital intensity, leading to deteriorating capital structure and liquidity.

Analytical approach: Standalone

Outlook: Stable

The "stable" outlook on the long-term ratings reflects CARE Ratings Limited's (CARE Ratings') belief that VSL shall be able to sustain its comfortable financial risk supported by experienced promoters' group and management.

Detailed description of key rating drivers:

Key strengths

Experienced management with long track record of operations

VSL's promoters are engaged into spinning business since the management, more than three decades and over time, has developed a strong operational base. The company's overall affairs are headed by Piyush Mutha as a managing director having about three decades of experience in textile industry. He is assisted by his brother, Praneet Mutha who also has over two decades of experience in similar industry. Mutha family has also promoted Vippy Industries Limited (VIL; rated 'CARE BBB+; Stable /CARE A2') engaged in extracting soya oil from soya seeds, refining crude soya oil and manufacturing value-added soya-based products since 1973. However, VSL has no financials linkages with VIL. With promoters having experience across multiple industries and focus on adherence to quality standards, VSL has established a strong customer base. In FY24, top 10 customers constituted 68.79% of VSL's TOI (PY: 71.42%).

Comfortable capital structure and debt coverage indicators

VSL's capital structure although marginally deteriorated, it remained comfortable marked by overall gearing of 0.82x as on March 31, 2024, against 0.50x as on March 31, 2023. This deterioration was due to higher utilisation of working capital limits as on balance sheet date, as the company had used facilities to procure a bulk deal for raw cotton from January 2024 to April 2024. Overall gearing improved and stood at 0.41x as on December 31, 2024 (PY: 0.44x) due to lower utilisation of its working capital limits.

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

Debt coverage indicators deteriorated and stood moderate marked by total debt to gross cash accruals (TD/GCA) of 4.49x in FY24 (2.54x in FY23). Similarly, the interest coverage ratio also deteriorated although remained healthy at 6.10x in FY24 against 32.00x in FY23. In 9MFY25 (UA), the PBILDT interest coverage improved marginally and remained healthy at 8.37x (against 5.87x in 9MFY24) due to improvement in PBILDT margin and growth in scale of operations.

Key weaknesses

Moderate despite growing scale of operations

The company's TOI has significantly increased in FY24 to ₹249.63 crore against ₹156.32 crore in FY23 on the back of successful completion of the capex for increase in production capacities from 9,000 metric tonnes per annum (MTPA) to 12,500 MTPA. In 9MFY25 (UA), VSL reported a TOI of ₹209.41 crore (compared to ₹186.32 crore in 9MFY24). The said increase was also attributable due to addition yarn categories of 16s and 20s count yarns to its existing and new customers. Going forward, with improved demand for its products and increased orders from both existing and new customers, the company expects its revenue to increase in near-to-medium terms. Overall scale of operations continues to remain moderate.

Moderate despite fluctuating profit margins

The company's PBILDT margin deteriorated in FY24 over FY23 as marked by PBILDT margin stood at 7.10% in FY24 against 10.68% in FY23. The said deterioration was considering proportionately higher reduction in the sales realisation of the cotton yarn against cotton led to lowering the spread during the year. Consequently, the profit after taxation (PAT) margin has also reduced to 1.74% in FY24 against 6.85% in FY23. PBILDT margin has recovered to 10.06% in 9MFY25 (against 6.05% in 9MFY24) considering proportionate stabilisation in the cotton and yarn prices in said period resulting to recovery in spreads. As the company has started cotton procurement from Cotton Corporation of India at lower rates resulted in reduction in RMC cost. Product category additions of 16s and 20s count yarns result in higher realisations from the same. With the stabilisation of cotton and yarn prices, profit margins are expected to remain stable in the near term.

Presence in a competitive and cyclical textile industry

VSL operates in a cyclical and fragmented textile industry marked by presence of many organised and unorganised players leading to high competition in the industry. Apart from competition, the commoditised nature of cotton yarn also limits the pricing ability of the industry players to an extent. Textile industry is inherently cyclical in nature and closely follows the macroeconomic business cycles. The raw material and finished goods prices are also determined by global demand-supply scenario, hence adverse changes in macroeconomic environment globally have a direct impact on domestic textile industry.

Profitability susceptible to volatility in raw material prices

The basic raw material consumed by VSL to produce yarn is raw cotton, which accounts for over 80-85% of the total cost of production. The raw cotton prices are volatile in nature and depends upon multiple factors such as area under production, yield for the year, vagaries of the monsoon, international demand-supply scenario, inventory carry forward from the previous year and minimum support price (MSP) decided by the government among others. The raw cotton prices have been volatile in the past, though have been stabilised in the near term. Collectively, these factors and intense competition in the industry contribute to low bargaining power of yarn manufacturers and volatility in profitability.

Liquidity: Adequate

VSL's liquidity remained adequate marked by moderate utilisation of working capital limits and comfortable GCA against scheduled LT debt repayment obligations. The average utilisation of fund-based working capital limits remained low at ~39.26% in trailing 12 months ended February 2025. VSL's expected GCA remained sufficient against scheduled repayments of long-term debt of ₹6.70 crore in FY25 and ₹8.30 crore in FY26.

In FY24, VSL's gross current assets period stood 124 days (126 days in FY23) while its operating cycle improved though stood moderate at 95 days (132 days in FY23). This was due to maintaining high inventory of raw cotton as on the balance sheet date since its procurement is seasonal in nature.

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](#)

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[Cotton Textile](#)

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About the company and industry

Industry classification

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

Incorporated in April 1992, VSL is a public limited company promoted by the Mutha family and is engaged in manufacturing open-ended cotton yarn through rotor spinning technology at its facility at Dewas near Indore, Madhya Pradesh. As on December 31, 2024, VSL had an installed capacity of 12,500 Metric Tonne Per Annum (MTPA) for manufacturing of cotton yarn for counts ranging from 4s to 32s.

VSL specialises in manufacturing slub yarn, multi-count yarn, multi-twist yarns, and waxed yarn, which finds its applications in industrial, home furnishing, and clothing fabrics. It markets its products primarily in the domestic market with limited presence in export markets. Apart this, VSL has set up a 0.6 Megawatt (MW) of Windmill and 1 MW of solar power plant for captive consumption.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	156.32	249.63	209.41
PBILDT	16.70	17.72	21.06
PAT	10.71	4.35	8.89
Overall gearing (times)	0.50	0.82	NA
Interest coverage (times)	32.00	6.10	8.37

A: Audited UA: Unaudited NA: Not Available; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	28.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.30	CARE BBB+; Stable / CARE A2
Term Loan-Long Term		-	-	January 2030	29.77	CARE BBB+; 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.30	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (22-Mar-24) 2)CARE BBB+; Stable / CARE A2 (20-Apr-23)	1)CARE BBB+; Stable / CARE A2 (20-Feb-23)	1)CARE BBB+; Stable / CARE A2 (03-Mar-22)
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	28.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (22-Mar-24) 2)CARE BBB+; Stable / CARE A2 (20-Apr-23)	1)CARE BBB+; Stable / CARE A2 (20-Feb-23)	1)CARE BBB+; Stable / CARE A2 (03-Mar-22)
3	Term Loan-Long Term	LT	29.77	CARE BBB+; Stable	-	1)CARE BBB+; Stable (22-Mar-24) 2)CARE BBB+; Stable (20-Apr-23)	-	-

LT: Long term; ST: Short 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/ ST-CC/Packing Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view 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.

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About us:

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