May 13, 2025

Sri Shanmugavel 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 - Term loans	168.53	128.74	[ICRA]BB (Stable); reaffirmed
Long term – Fund based - Cash credit	200.00	135.00	[ICRA]BB (Stable); reaffirmed
Short term – Non fund based - Working capital facilities	40.00	30.00	[ICRA]A4; reaffirmed
Long term/Short term - Unallocated	91.47	0.50	[ICRA]BB (Stable) / [ICRA]A4; reaffirmed
Total	**500.00**	**294.24**	

**Instrument details are provided in Annexure I*

Rationale

While arriving at the ratings, ICRA has considered the consolidated financials of Sri Shanmugavel Mills Private Limited (SSMPL).

The ratings reaffirmation on the bank lines of SSMPL considers an expected improvement in operational and financial performances over the medium term, following a modest recovery witnessed in its operating margins in FY2025 (on a YoY basis), supported by the established position of the SSM Group in the textile industry. Though the company's revenues declined by ~9% in FY2025, on a YoY basis, due to closure of operations at one of its manufacturing units (unit 4), moderation in raw material prices and increase in price realisations helped improve the operating margins by 560 bps to 5.1% in FY2025 (provisional). The ratings are further supported by the operational synergies enjoyed by the company for being a part of the erstwhile SSM Group and its captive power generation capacities, supporting 30-35% of its power requirements.

The ratings, however, remain constrained by SSMPL's continued weak performance, moderating its financial profile. The capital structure and debt protection metrics remained weak owing to continued losses, resulting in erosion of net worth. While the quantum of cash losses had reduced in FY2025 over the levels witnessed in FY2024, SSMPL continued to incur cash losses in FY2025 due to higher borrowing cost. Although debt coverage indicators improved in FY2025, with an interest coverage ratio of 0.8 times and DSCR of 0.4 times as on March 31, 2025, the same remained weak. Income received from the sale of certain non-operative assets, and refunds from Government authorities had supported its liquidity in FY2025 to an extent. ICRA notes that SSMPL plans to sell the factory land at unit 4 and shift the machines to unit 2 in FY2026, which is expected to support its liquidity and reduce its bank borrowings. Timely receipt of proceeds from the sale of property to support its funding requirements towards working capital and debt obligations would be a key rating monitorable. The ratings also remain constrained by the commoditised nature of the company's products, which coupled with the fragmented industry structure, results in limited pricing power and keeps the profitability under check. Further, the ratings factor in the working capital intensity of operations due to cotton's seasonal availability, which requires stocking during the harvest season. This renders the company's profitability vulnerable to volatility in cotton prices.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company is likely to improve its earnings and coverage metrics. Further, the outlook underlines ICRA's expectations that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established track record and experience of promoters in cotton spinning industry – SSMPL continues to enjoy operational synergies for being a part of the larger SSM Group, which supports it in maintaining healthy relationships with its customers, with sizeable capacities in the spinning and fabric segments. The promoters have been involved in Tamil Nadu's hosiery yarn market (which includes the large hosiery hub in Tirupur) for many years and have extensive experience in the spinning industry. The company has an established presence across other key domestic and export markets, which supports its healthy scale of operations.

Large scale of operations and integrated nature of business – SSMPL's revenue profile is diversified with integrated operations comprising spinning, knitting and garment, along with captive windmill, supporting better operational efficiency and value addition. Around 35% of its total power requirement is met through captive power generation, supporting the overall earnings of the company. SSMPL, on a consolidated basis, reported revenues of Rs. 667.1 crore in FY2025, representing a YoY decline of ~9% due to closure of operations at one of its manufacturing facility. However, the operating performance is expected to improve over a longer term with the likely increase in the garment division capacities.

Credit challenges

Lower profitability and weak coverage indicators – The spinning and knitting industries are highly fragmented with a significant share of the unorganised segment. As a result, it enjoys limited pricing power, which is likely to keep its profitability under check. SSMPL acquired a spinning unit from Patspin India Limited for Rs. 110 crore, funded by a Rs. 90-crore term loan, over FY2023 and FY2024. Additionally, SSMPL established a rotor unit in its wholly-owned subsidiary, Be One Textiles Private Limited, with a Rs.60-crore term loan in FY2024. These debt-funded acquisitions and capacity additions, coupled with continued weak performance, led to an erosion of net worth and a weakened financial profile. Despite weak earnings, liquidity in FY2025 was supported by proceeds from asset sales and refunds from Government authorities. The proposed sale of the land located at Tirupur (unit 4) is expected to support funding requirements for working capital and debt repayment obligations.

Working capital-intensive operations; susceptible to volatility in cotton and cotton yarn prices – SSMPL operates in a highly competitive and commoditised spinning industry, characterised by minimal product differentiation and fragmentation, which restrict the pricing flexibility. In addition, the requirement to stock cotton during the harvest season makes operations working capital intensive and exposes profitability to fluctuations in cotton prices. Though this practice has moderated over the last two fiscals owing to high volatility in cotton prices, entities, including SSMPL, continue to stock certain quantity of cotton during the harvest season. Further, the increase in cotton prices and pressure on yarn realisations had constrained the contribution levels in the past.

Liquidity position: Stretched

SSMPL's liquidity position is expected to remain stretched, given the lower earnings and high debt repayment obligations. SSMPL has no major capital expenditure plans, and it has debt repayment obligations of Rs. 45.8 crore in FY2026 at a consolidated level. The average utilisation of its fund-based limits over the last 6-month period ending in March 2025 stood at 68.1% of its sanctioned limit of Rs. 135 crore (reduced from Rs. 175 crore in March 2025). SSMPL is planning to dispose of some land parcels in FY2026, which is likely to support its liquidity and reduce its bank borrowings. Timely receipt of proceeds from the sale of property would be a key rating monitorable.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a healthy and sustained increase in profitability with an improvement in liquidity profile and debt protection metrics. Key credit metrics that would be required for ratings upgrade include DSCR of more than 1.4 times, on a sustained basis.

Negative factors – The ratings could be downgraded if there is sustained pressure on the company's operating performance or a delay in monetising the proposed land sale, which would adversely impact the liquidity and debt protection metrics.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textile - Spinning Textile - Fabric
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on SSMPL's consolidated financial statements and the list of the companies considered for consolidation have been mentioned in Annexure-2.

About the company

SSMPL was set up in 1980 and is involved in manufacturing of cotton yarn and knitted fabric. The spinning division of SSMPL produces counts ranging from 28s to 50s (with average counts of 30s+ being produced). A bulk portion of the yarn manufactured by the company finds its application in the knitting fabric segment. Following the business restructuring process within the SSM Group and the acquisition of a spinning unit in FY2023, the company has 1,73,040 spindles, 1,464 rotors, 339 knitting machines and windmills of 29 MW.

Incorporated on June 16, 2022, Be One is a wholly-owned subsidiary of Sri Shanmugavel Mills Private Limited. The entity manufactures OE yarn and has a capacity of 3,912 rotors and commenced operations w.e.f. November 9, 2023.

Key financial indicators (audited)

	SSMPL Consolidated		SSMPL Standalone	
	FY2024	FY2025*	FY2024	FY2025*
Operating income	733.4	667.1	744.0	537.5
PAT	-53.2	-47.9	-48.8	-32.8
OPBDIT/OI	-0.5%	5.1%	-0.1%	5.5%
PAT/OI	-7.3%	-7.2%	-6.6%	-6.1%
Total outside liabilities/Tangible net worth (times)	1.7	2.0	1.5	1.4
Total debt/OPBDIT (times)	-96.5	8.3	-303.9	6.9
Interest coverage (times)	-0.1	0.8	0.0	0.9

*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

Instrument	Current rating (FY2026)				Chronology of rating history for the past 3 years					
					FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	128.74	May 13, 2025	[ICRA]BB (Stable)	Apr 01, 2024	[ICRA]BB (Stable)	Dec 14, 2023	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	Oct 31, 2022	[ICRA]BBB+ (Stable)
Cash credit	Long Term	135.00	May 13, 2025	[ICRA]BB (Stable)	Apr 01, 2024	[ICRA]BB (Stable)	Dec 14, 2023	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	Oct 31, 2022	[ICRA]BBB+ (Stable)
Non fund based	Short Term	30.00	May 13, 2025	[ICRA]A4	Apr 01, 2024	[ICRA]A4	Dec 14, 2023	[ICRA]A4+ ISSUER NOT COOPERATING	Oct 31, 2022	[ICRA]A2
Unallocated limits	Long term/ Short Term	0.50	May 13, 2025	[ICRA]BB (Stable)/ [ICRA]A4	Apr 01, 2024	[ICRA]BB (Stable)/ [ICRA]A4	Dec 14, 2023	[ICRA]BB+ (Stable)/ [ICRA]A4+ ISSUER NOT COOPERATING	Oct 31, 2022	[ICRA]BBB+ (Stable)/ [ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund Based - Term loans	Simple
Long term - Fund-based - Cash credit	Simple
Short term – Non fund-based limits	Very 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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2021	NA	FY2028	128.74	[ICRA]BB (Stable)
NA	Cash credit	NA	NA	NA	135.00	[ICRA]BB (Stable)
NA	Letter of Credit	NA	NA	NA	30.00	[ICRA]A4
NA	Unallocated	NA	NA	NA	0.50	[ICRA]BB (Stable)/ [ICRA]A4

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Be One Textiles Private Limited	100.00%	Full consolidation

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