

July 15, 2025

## Oswal Woollen Mills Limited: Ratings downgraded

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Cash Credit	320.00	320.00	[ICRA]BBB+ (Stable); downgraded from [ICRA]A-(Stable)
Long-term Fund-based Term Loans	57.00	91.50	[ICRA]BBB+ (Stable); downgraded from [ICRA]A-(Stable)
Long-term Interchangeable	(14.0)	(14.0)	[ICRA]BBB+ (Stable); downgraded from [ICRA]A-(Stable)
Long-term Unallocated	63.00	28.50	[ICRA]BBB+ (Stable); downgraded from [ICRA]A-(Stable)
Short-term Non-fund Based	110.00	110.00	[ICRA]A2; downgraded from [ICRA]A2+
<b>Total</b>	<b>550.00</b>	<b>550.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating downgrade factors in an expectation of continued pressure on the credit profile of Oswal Woollen Mills Limited (OWM), led by a decline in scale of operations for the entity on account of subdued performance of its denim and cotton spinning divisions. OWM's spinning segment remained under pressure in FY2025, driven by pressure on demand in export markets despite some improvement in margins; its denim division also reported losses amid a weak demand environment and led to a 12% year-on-year (YoY) decline in revenues for the entity in FY2025. Demand-side pressures are expected to continue for the denim segment, impacting overall revenues and profitability for the company in the near term. While contribution levels in the spinning industry are expected to improve in the current financial year due to a stabilisation of raw material prices, the extent of improvement amid competitive pressures remains to be seen. Coupled with OWM's high working capital intensity of operations, this is likely to result in a moderate financial profile for the entity.

The ratings continue to derive comfort from OWM's adequate liquidity position, supported by undrawn working capital limits and unsecured loans from promoters. The company also enjoys operational and financial flexibility as a part of the Nahar Group based out of Ludhiana (Punjab), which is one of the largest textile groups in the country with vertically integrated operations from spinning to garmenting operations. In addition, the regular unencumbered rental income, as well as income from the power segment and some proceeds from the sale of assets of the Punjab plant, shall support the company's cash flows and liquidity position in FY2026. Further, the ratings also factor in the company's six-decade-long track record in the textile industry, which has facilitated the creation of a widespread distribution network. The ratings continue to factor in the cyclicity associated with the denim segment, marked by periods of overcapacity and the susceptibility of profitability to raw material price fluctuations.

ICRA notes the Group's foray into the warehousing business across entities; OWM has also provided a loan of around Rs. 70 crore to its subsidiary (Rs. 66 crore as of March 2025), which is in the process of setting up two warehousing facilities in the country. A part of the extended loan is estimated to be repaid once the projects start generating cash flows. The timely completion of these projects and commencement of lease rentals, aiding a timely repayment of the loan extended, would remain key to helping improve the liquidity position of OWM and will be a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the credit profile of the company shall remain adequately supported by its diversified business profile and steady cash flows from other segments, including rental and power, even as the cash flows from the denim and cotton spinning segments remain subdued.

## Key rating drivers and their description

### Credit strengths

**Proven track record with established market presence and distribution network** – The seven-decade-long track record of OWM in the textile sector (operating since 1949) has aided the OWM in establishing a strong market presence and a distribution network. Such factors, over the years, have led to the Nahar Group's expansion into new product segments like denim and branded apparel with the support of OWM and its sister concerns.

**Financial flexibility as part of the Nahar Group** – OWM is a part of the Ludhiana-based Nahar Group, one of the largest and oldest textile groups in the country, with vertically integrated operations across spinning, garmenting and retailing functions. Other companies in the Group include Monte Carlo Fashions Limited (MCFL), Nahar Industrial Enterprises Limited (NIEL), Nahar Spinning Mills Limited, Nahar Capital and Financial Services Limited<sup>1</sup>, Nahar Poly Films Limited and Vanaik Spinning Mills Limited. OWM's financial flexibility is corroborated by regular need-based fund infusions by the promoter group in recent years, which supported the company in maintaining a comfortable liquidity profile. There is no firm commitment to retain these unsecured loans; however, there is a stated intent to maintain a comfortable liquidity cushion in the company (unsecured loans stood at Rs. 46 crore as of March 2025).

**Comfortable liquidity position supported by steady cash flows from other segments** – OWM is a large domestic denim manufacturer, besides being one of the oldest and largest manufacturers of worsted woollen yarn in North India. The company derives a sizeable income from the cotton spinning and renewable energy segments. In addition, OWM owns a commercial property in Gurgaon (Haryana). This steady income from rental and power assets provides a regular revenue stream, ensuring a comfortable liquidity position for the company. The company closed its loss-making denim unit in Punjab, whose sale proceeds supported its cash flows.

### Credit challenges

**Working capital intensive operations with elongated receivables and high inventory holding**— OWM's operations are working capital intensive, with year-end net working capital intensity (net working capital vis-à-vis operating income) consistently remaining above 35% due to high inventory levels. OWM stocks wool for 60-90 days, while cotton stocking depends on the harvest season. In addition, cotton yarn is stocked for the denim division to cover production for the next 20-30 days, which increases the inventory levels. The company also offers 30-60 days of credit to its customers. However, the credit period for purchasing raw materials is limited, as payments for cotton, cotton yarn and acrylic must be made within 7-15 days. Moreover, wool is imported against a sight letter of credit or a credit period of 90-180 days. The company receives 45-60 days of credit for purchasing dyes, chemicals and other consumables.

**Profitability susceptible to volatility in cotton prices** – OWM's denim business is backward integrated with an in-house spinning capacity sufficient to meet 80–85% of its cotton yarn requirement. However, only 60-70% of the cotton yarn requirement is met by in-house production as not all varieties of yarn are manufactured in-house. Consequently, the surplus yarn production that is not required in-house is sold in the market, while yarn varieties not produced in-house are purchased from the market. The spinning division stocks cotton during the harvest season from October to March to meet a significant portion of its requirements for the remaining year. This cotton stockpiling exposes the company to fluctuations in cotton and yarn prices during the non-harvest season, as OWM's procurement cost is fixed, while yarn realisation fluctuates with cotton prices, which are influenced by both domestic as well as global factors.

**Cyclicality in denim industry** – The denim industry experiences inherent cyclicality, with periods of excess market capacity and tight demand-supply situations. An oversupply situation exerts pressure on the company's profitability by affecting volumes

<sup>1</sup> ICRA has an [ICRA]A1+ rating outstanding for Nahar Capital and Financial Services Limited. For details, please refer to ICRA's website: [www.icra.in](http://www.icra.in).

and pricing power, in line with industry trends. Despite the decline in recent years, denim continues to contribute a significant share to the company's overall revenues.

### Liquidity position: Adequate

OWM's liquidity position is likely to remain adequate, with fund flow from operations expected to remain sufficient to fund margin requirements for the working capital, planned capital expenditure of Rs. 15-20 crore and scheduled debt repayments of around Rs. 27 crore in FY2026. The company's adequate liquidity position is supported by its undrawn (vis-à-vis Drawing power) working capital facilities over the year, averaging ~Rs. 45 crore for the 14-month period ended in May 2025. OWM's liquidity position also remains supported by unsecured loans infused by the promoters.

### Rating sensitivities

**Positive factors** – The ratings can be upgraded if the company registers sustained healthy growth in its scale of operations along with improvement in profit margins resulting in improvement in debt coverage metrics.

**Negative factors** – ICRA could downgrade the ratings in case of continued pressure on the company's operating performance, or if an increase in working capital intensity/high debt-funded capex adversely impacts the company's liquidity position and credit metrics.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Textiles - Spinning</a> <a href="#">Textiles - Fabric</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the company.

### About the company

Incorporated in 1949, OWM manufactures worsted woollen yarn, cotton yarn and denim fabric. The company's manufacturing units in Ludhiana (Punjab), Lalru (near Chandigarh) and Bhopal (Madhya Pradesh) have a combined capacity of ~41,588 spindles for worsted woollen spinning, ~49,798 spindles and 2,784 rotors for cotton spinning and looms for weaving denim fabric. Additionally, the company is present in the renewable energy space (13.2 MW of wind and solar projects across states), and the real estate sector. It owns a commercial property in Gurgaon (Haryana), which provides regular rental income. The company has also diversified into the warehousing segment through its subsidiary.

OWM is a part of the Ludhiana-based Nahar Group, which was incorporated by Mr. Vidya Sagar Oswal, father of Mr. Jawahar Lal Oswal, the present Chairman and Managing Director of the company. The other companies in the Nahar Group include MCFL, NIEL, Nahar Spinning Mills Limited and Nahar Capital and Financial Services Limited.

## Key financial indicators (audited)

Consolidated	FY2024	FY2025*
Operating income	894.3	790.9
PAT	(31.9)	2.8
OPBDIT/OI	2.8%	4.5%
PAT/OI	(3.6%)	0.4%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	13.0	9.0
Interest coverage (times)	0.9	1.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore; \*Provisional financials

## 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					
	Type	Amount Rated (Rs Crore)	July 15, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-Based Cash Credit	Long Term	320.00	[ICRA]BBB+ (Stable)	22-Aug-2024	[ICRA]A- (Stable)	30-Jun-23	[ICRA]A(Stable)	09-Jun-22	[ICRA]A(Stable)
				-	-	-	-	31-Mar-2023	[ICRA]A(Stable)
Fund-Based Term Loans	Long Term	91.50	[ICRA]BBB+ (Stable)	22-Aug-2024	[ICRA]A- (Stable)	30-Jun-23	[ICRA]A(Stable)	09-Jun-22	[ICRA]A(Stable)
								31-Mar-2023	[ICRA]A(Stable)
Long term-Interchangeable	Long Term	(14.0)	[ICRA]BBB+ (Stable)	22-Aug-2024	[ICRA]A- (Stable)	30-Jun-23	[ICRA]A(Stable)	09-Jun-22	[ICRA]A(Stable)
				-	-	-	-	31-Mar-2023	[ICRA]A(Stable)
Unallocated	Long Term	28.50	[ICRA]BBB+ (Stable)	22-Aug-2024	[ICRA]A- (Stable)	30-Jun-23	[ICRA]A(Stable)	09-Jun-22	[ICRA]A(Stable)
				-	-	-	-	31-Mar-2023	[ICRA]A(Stable)
Non-Fund-Based	Short Term	110.00	[ICRA]A2	22-Aug-2024	[ICRA]A2+	30-Jun-23	[ICRA]A2+	09-Jun-22	[ICRA]A2+
								31-Mar-2023	[ICRA]A2+

Commercial Paper	Short Term	-		-	-	30-Jun-23	[ICRA]A2+ Withdrawn	09-Jun-22	[ICRA]A2+
								31-Mar-2023	[ICRA]A2+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-Based Cash Credit	Simple
Long-term Fund-Based Term Loans	Simple
Long-term Interchangeable	Very simple
Long-term Unallocated	Not applicable
Short-term Non-Fund-Based	Very simple

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	Long-term Fund-Based Cash Credit	NA	NA	NA	320.00	[ICRA]BBB+ (Stable)
NA	Long-term Fund-Based Term Loans	FY2019	NA	FY2032	91.50	[ICRA]BBB+ (Stable)
NA	Long-term Non-Fund-Based	NA	NA	NA	(14.0)	[ICRA]BBB+ (Stable)
NA	Long-term Unallocated	NA	NA	NA	28.50	[ICRA]BBB+ (Stable)
NA	Short-term Non-Fund-Based	NA	NA	NA	110.00	[ICRA]A2

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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