

September 16, 2025

SuryaLakshmi Cotton Mills Limited: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund Based- Cash Credit	169.50	169.50	[ICRA]BBB(Negative); reaffirmed and outlook revised to Negative from Stable
Long term - Fund based - Term Loan	21.00	21.00	[ICRA]BBB(Negative); reaffirmed and outlook revised to Negative from Stable
Short term - Non fund based	54.85	54.85	[ICRA]A3+; reaffirmed
Long term / Short term -Unallocated facilities	172.40	172.40	[ICRA]BBB(Negative)/[ICRA]A3+; reaffirmed and outlook revised to Negative from Stable
Total	417.75	417.75	

*Instrument details are provided in Annexure I

Rationale

The ratings action on SuryaLakshmi Cotton Mills Limited (SCML) considers a weaker-than-expected performance in FY2026, with a relatively slower improvement in its debt metrics (as compared to ICRA's earlier expectations). SCML derives around 60% of its revenues from sale of denim fabric and the balance from spinning operations (both cotton and polyester viscose). SCML's revenues witnessed a minimal growth in FY2025, while an increase in power and labour costs resulted in a 60-bps YoY contraction in the operating margin to 6.4%. In Q1 FY2026, the entity has registered revenues of Rs. 178.3 crore (up 12.4% on a YoY basis) with an OPBDITA of Rs. 13.7 crore (up 12.2% on a YoY basis). Increase in working capital borrowings (including bills discounting facilities) had resulted in a moderation of its debt coverage indicators. Total debt to operating profits and interest cover ratios moderated to 5.6 times and 1.6 times in FY2025, respectively compared to 4.1 times and 1.8 times in FY2024, respectively. The total debt considers debt to an extent of Rs.43 crore represents promoter borrowings. On considering the same as a quasi-equity, adjusted TD/ OPBITDA stand at 4.7 times in FY2025. Recent GST rate rationalisation measures will benefit the industry demand and accordingly should support SCML's revenue and earnings. ICRA will review the rating outlook based on SCML's ability to improve the revenue, earnings and debt indicators while maintaining sufficient liquidity buffer.

The ratings remain supported by its established market position in the denim and yarn segments, promoters' long industry experience, a diversified product portfolio across the segments (denim and cotton spinning) and integrated nature of its operations. SCML has strengthened its product profile within the denim fabric and yarn segments, which supported its volumes. The ratings however constrained by the exposure of SCML's earnings to volatile raw material prices with intense competition, limiting the pricing flexibility of industry players. The ratings also consider the commoditised nature of products, which, coupled with the fragmented industry structure, results in limited pricing power, keeping profitability under check.

Key rating drivers and their description

Credit strengths

Established market position – SCML has an operational track record spanning over five decades in both the denim and spinning segments, with established business channels and a diversified geographical presence across the domestic and export markets. The company's diversified business and geographical presence have helped buffer the impact of any demand slowdown. Further, SCML has strengthened its product profile within the denim fabric and yarn segments, which supported its volumes. SCML derives around 60% of its revenues from sale of denim fabric and the balance is received from spinning operations (both cotton and polyester viscose). While a marginal volume growth of 3.1% was witnessed in FY2025 in its denim segment, volumes

in its yarn segment fell by 3.4% on a YoY basis, offsetting the impact. Further, with fabric realisations remaining flat, there had been a modest rise in yarn realisation, resulting in a 1.2% (on a YoY basis) in revenues to Rs. 791.8 crore in FY2025.

Integrated nature of operations – SCML's operations are integrated across the spinning and weaving segments, with the overall value addition supported by a specialty yarn manufacturing unit established for captive consumption at its weaving facility. This diversified product mix supports the operating performance of the company to an extent and limits the impact of slowdown in any one segment on the overall earnings, as seen over the years.

Credit challenges

Working capital intensive operations coupled with a moderate financial profile – SCML's financial profile is characterised by moderate leverage indicators due to high working capital requirements in business and modest earnings. Increase in working capital intensity to 37.6% in FY2025 from 32.2% in FY2024 due to increased year-end stocking and reduction in creditors cycle, led to an increase in the working capital borrowing (including bills discounting) to Rs. 201.1 crore as on March 31, 2025 (PY - Rs. 152.2 crore). Furthermore, lower earnings resulted in weakening of its debt protection metrics. Total debt to operating profits and interest cover ratios moderated to 5.6 times and 1.6 times, respectively in FY2025 compared to 4.1 times and 1.8 times in FY2024, respectively. Debt service coverage ratio stood at 1.4 times in FY2025. However, the same is expected to improve over the medium term with a modest increase in operating margins and repayment of term loans. Nevertheless, its total debt to operating profits and ROCE are likely to remain at modest levels over the medium term.

Intense competition exposes earnings to price risk – SCML faces intense competition in the commoditised textile industry, characterised by low product differentiation and a fragmented nature, which restricts its pricing flexibility. Thus, the earnings of SCML in the denim and yarn segments are vulnerable to the fluctuations in raw material prices, owing to limited pricing flexibility. Over the years, raw material prices have witnessed volatility, which have adversely impacted the company's contribution levels and the operating margins. Further, the denim industry has witnessed significant cyclicity in the past, with periods of excess market capacity and tight demand-supply situation.

Environmental and social risks

Environmental considerations: As SCML operates in the textiles sector and is involved in spinning and fabric manufacturing, its exposure to environmental risks emanates from the climate transition risks that could affect the prices of crude oil derivatives used for manmade fibre blending. Nevertheless, the environmental risk is mitigated in view of the relatively inelastic long-term demand from the end-user industries, including apparels and footwear, which should enable SCML to pass on the associated increase in the costs to the buyers, if the competitive pressure permits. This apart, the manufacturing process involves generation of waste. If these are discharged without adequate treatment (in breach of statutorily permissible levels), it could invite fines and penalties. While the above risks have not resulted in any material implication so far, policy actions towards waste management such as the need to recycle the packaging waste could have cost implications for entities in the sector, including SCML.

Social considerations: SCML is exposed to the risk of disruption due to inability to manage human capital in terms of their safety and the overall well-being. Further, any significant increase in wage rates may impact the cost structure and margins to an extent. Measures taken by the company towards employee welfare and healthy value addition in the business have resulted in no material impact on SCML's performance from the above risks so far.

Liquidity position: Adequate

The liquidity position of SCML is expected to remain adequate, supported by expected net cash accrual of around Rs. 20 crore in FY2026 and a buffer of Rs. 20 crore on the sanctioned lines of Rs.169.5 crore as on July 31, 2025. Against these sources of cash, SCML has debt repayment obligations of Rs. 7.9 crore in FY2026. The average utilisation of its fund-based limits over the last 12 months period ending in July 2025 stood at around 79.8%. Besides, the entity is planning to incur a capital expenditure of Rs. 22 crore in FY2026 towards upgrading its machines funded through debt and equity in the ratio of 75:25.

Rating sensitivities

Positive factors – The long-term rating could be revised to Stable, if there is a healthy growth in revenues and an increase in profitability, which would further improve the company's debt protection metrics. A specific credit metric for revision in the outlook to Stable would be TD/OPBDITA below 2.5 times on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is any sustained pressure on the operating performance or a deterioration in the working capital cycle, which would adversely impact the company's liquidity position and coverage metrics. A specific credit metric for the ratings downgrade would be DSCR below 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles- Spinning Textiles- Fabric
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

SCML was incorporated in 1962, with an initial capacity of 6,000 spindles for manufacturing cotton and blended yarns. SCML was listed on both the Bombay Stock Exchange and the National Stock Exchange in May 1996. Over a period of six decades, it has expanded its spinning capacity to 89,952 spindles and has diversified into denim fabric manufacturing with a capacity of 40 million meter per annum (MMPA). SCML has an installed solar power capacity of 6 MW, which is used for captive consumption.

Key financial indicators (audited)

SCML	FY2024	FY2025	Q1 FY2026*
Operating income	782.4	791.8	178.3
PAT	3.6	3.6	1.5
OPBDIT/OI	7.0%	6.4%	7.7%
PAT/OI	0.5%	0.5%	0.8%
Total outside liabilities/Tangible net worth (times)	1.7	1.8	-
Total debt/OPBDIT (times)	4.1	5.6	-
Interest coverage (times)	1.8	1.6	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional
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 ratings (FY2026)			Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	
			Sep 16, 2025		Aug 01, 2024	Jul 07, 2023		Apr 03, 2023
	Jun 24, 2022							
1	Cash credit	Long Term	169.50	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Term loan	Long Term	21.00	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Non-fund-based limits	Short term	54.85	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+
4	Unallocated	Long Term/ Short Term	172.40	[ICRA]BBB (Negative)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund based-Term loan	Simple
Long-term – Fund based – Cash credit	Simple
Short Term - Non-fund based	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-FY2024	-	FY2025-FY2030	21.00	[ICRA]BBB(Negative)
NA	Cash credit	-	-	-	169.50	[ICRA]BBB(Negative)
NA	Non-fund based facility	-	-	-	54.85	[ICRA]A3+
NA	Unallocated	-	-	-	172.40	[ICRA]BBB(Negative)/ [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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