

January 29, 2026

Sri Dhanalakshmi Cotton & Rice Mills Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based/CC	37.90	37.35	[ICRA]A (Stable); Reaffirmed
Short-term – Fund-based	15.00	5.00	[ICRA]A1; Reaffirmed
Short-term – Non-fund based	0.80	0.80	[ICRA]A1; Reaffirmed
Long-term – Unallocated	68.14	78.69	[ICRA]A (Stable); Reaffirmed
Total	121.84	121.84	

*Instrument details are provided in Annexure I

Rationale

The ratings reflect Sri Dhanalakshmi Cotton & Rice Mills Pvt. Ltd.'s (SDCRPL) established presence in the cotton value chain, supported by its vertically integrated operations across spinning, fabric weaving and oil extraction as well as the operational benefits derived from captive hydel and wind power capacity. The ratings also take comfort from its low debt levels leading to a healthy capital structure, strong liquidity position backed by sizeable liquid investments and the promoters' long-standing experience in cotton procurement, oil extraction and textile operations.

In FY2025, the company's revenue declined by 5.9% owing to lower processing in its oil and spinning divisions, given the challenges in adequate quality raw material availability at favourable rates. While revenues from the oil and spinning divisions improved in H1 FY2026, overall growth was muted due to lower sales in the fabric division, with demand impacted by high US tariffs. ICRA expects its revenue growth to remain muted in the near term, given the demand challenges in the fabric division. While revenue declined in FY2025, the company's operating margin increased to 4.7% (from 1.9% in FY2024), aided by enhanced performance of the oil division and lower power costs with better captive power generation. Oil division's losses narrowed, supported by a margin-focussed operating approach, procurement of better-quality raw materials at softer prices and stronger realisations. In H1 FY2026, its margins were aided by inventory gains. ICRA expects the company's margins to grow by 100-150 bps in FY2026, driven by improved performance in H1 and healthy captive power generation. SDCRPL's capital structure and coverage metrics are projected to remain comfortable, given its low debt levels.

However, the ratings continue to be constrained by the susceptibility of revenues and margins to the availability and pricing of cotton, an agricultural commodity, exposing the business to agro-climatic risks. Additionally, the company operates in a highly fragmented and commoditised industry, which limits pricing flexibility and bargaining power across the spinning, oil and fabric segments.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that SDCRPL's improved operating margins supported by better raw material procurement, enhanced realisations in the oil and fabric divisions and captive power advantage, will aid sustenance of profitability and comfortable liquidity metrics, going forward.

Key rating drivers and their description

Credit strengths

Extensive experience in cotton industry – The company has an established presence in the textiles and cotton seed oil industries. It is one of the largest cotton seed oil extractors in India with a 600-metric tonnes per day (MTPD) seed processing capacity and 50-MTPD refining capacity. Moreover, SDCRPL enjoys established relationships with its suppliers and customers, resulting in repeat orders.

Integrated nature of operations – The company's revenue profile is diversified with vertically integrated operations comprising spinning, weaving, oil extraction and refining, along with captive hydel power and wind energy generation, leading to operational efficiency. SDCRPL's spinning division (cotton yarn) has an installed capacity of 67,536 spindles, its fabric division has 120 looms, the hydel power division has a 6.2 megawatt (MW) power generation capacity, its windmill has a capacity of 15.3 MW and the solar power plant has a capacity of 3.02 MW.

Healthy capital structure and coverage indicators – The company's debt levels are negligible, resulting in a strong capital structure with total debt/OBDITA of 0.1 times and total debt/TNW of 0.01 times as of March 2025 and healthy coverage metrics with interest coverage of 114.3 times as on March 2025. The capital structure and debt coverage indicators are expected to remain healthy with minimal debt levels. The overall financial profile will continue to be comfortable in the absence of any major debt-funded capital expenditure (capex) and limited external borrowing.

Credit challenges

Susceptibility of profitability to volatile cotton prices and captive power generation – Raw materials constitute the company's largest cost component, accounting for 80-90% of revenue over the past two years. Like other entities in the cotton industry, SDCRPL is exposed to fluctuations in cotton and yarn prices in the spinning division and cotton seed, de-oiled cake and refined oil prices in the solvent extraction division, which are driven by domestic and global factors. Firm cotton prices and pressure on realisations had constrained its contribution levels in the past. Moreover, its margins are also susceptible to the energy generated through SDCRPL's captive power plant at a cheap rate.

Exposed to regulatory and agroclimatic risks – The company's revenues and margins are exposed to agroclimatic risks due to seasonality in availability of quality cotton/ cotton seed, with the cotton season typically being from mid-September to March. SDC is also exposed to regulatory risks with respect to the minimum support price (MSP) for raw cotton, which is decided by the Government every year.

Commoditised nature of products and fragmented industry structure restrict pricing power and profitability – The spinning and knitting industries are highly fragmented, with a significant share of the market occupied by unorganised players. While SDCRPL manufactures a wide variety of products encompassing yarns with varying levels of value addition and knitted fabrics, its product portfolio continues to be concentrated towards medium-count yarns and fabrics. As a result, it enjoys limited pricing power, which is likely to keep its profitability under check.

Liquidity position: Strong

The liquidity position is strong, with unutilised working capital limits of Rs. 40-43 crore and free cash and bank balances and liquid investments of Rs.105-110.0 crore as on September 30, 2025, and expected retained cash flows of Rs. 10-30.0 crore in FY2026 and FY2027. Moreover, the company does not have any major debt-funded capex plans in the near term or any repayment obligations. Given the seasonality in the company's operations, its working capital requirements are high during the cotton harvest season.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant growth in revenues and earnings while maintaining healthy debt metrics and strong liquidity position.

Negative factors – Pressure on SDCRPL’s ratings could arise if any sustained pressure on earnings or stretched working capital cycle impacts its debt profile or liquidity position. Any major debt-funded capex adversely impacting the debt protection metrics could also exert pressure on the ratings. A specific credit metric that could lead to a downgrade is total debt/OPBDITA higher than 2.0 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology – Textiles – Spinning Rating Methodology – Textiles – Fabric Rating Methodology – Edible Oil Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial profile.

About the company

Sri Dhanalakshmi Cotton & Rice Mills Pvt. Ltd. (SDCRPL), located in Guntur, Andhra Pradesh was set up in 1977 and is managed by Mr. N. Raghava Rao, Mr. P. Raghava Reddy, Mr. P.V. Narayana, Mr. S. Hanumantha Rao and Mr. M. Lingaiah. The company, a closely held business, operates across oil extraction, cotton spinning, weaving, hydel power, wind power and solar power, all located in Guntur and nearby areas of Andhra Pradesh, a major cotton-producing belt. It also owns a 9-MW windmill in Tamil Nadu. SDCRPL’s spinning division (cotton yarn) has an installed capacity of 67,536 spindles, the cottonseed oil division has 600 MTPD of seed-processing capacity, the refining division has a capacity of 50 MTPD, the fabric division has 120 looms, the hydel power division has a capacity of 6.2 MW, solar power has a capacity of 3.2MW and the windmill has a capacity of 15.3 MW.

Key financial indicators (audited)

SDCRPL (standalone)	FY2024	FY2025
Operating income	494.4	465.5
PAT	2.9	8.6
OPBDIT/OI	1.9%	4.7%
PAT/OI	0.6%	1.9%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.3	0.1
Interest coverage (times)	36.3	114.3

Source: Company, ICRA Research; 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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jan 29, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	37.35	[ICRA]A (Stable)	Jan 29, 2025	[ICRA]A (Stable)	Jan 31, 2024	[ICRA]A (Negative)	Oct 31, 2022	[ICRA]A (Stable)
Fund-based	Short-term	5.00	[ICRA]A1	Jan 29, 2025	[ICRA]A1	Jan 31, 2024	[ICRA]A1	Oct 31, 2022	[ICRA]A1
Non-fund based	Short-term	0.80	[ICRA]A1	Jan 29, 2025	[ICRA]A1	Jan 31, 2024	[ICRA]A1	Oct 31, 2022	[ICRA]A1
Unallocated	Long-term	78.69	[ICRA]A (Stable)	Jan 29, 2025	[ICRA]A (Stable)	Jan 31, 2024	[ICRA]A (Negative)	Oct 31, 2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based/ CC	Simple
Short-term – Fund-based	Simple
Short-term – Non-fund based	Simple
Long-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	Cash credit	NA	NA	NA	37.35	[ICRA]A (Stable)
NA	Short-term Loan	NA	NA	NA	5.00	[ICRA]A1
NA	Letter of credit/ Bank guarantee	NA	NA	NA	0.80	[ICRA]A1
NA	Unallocated	NA	NA	NA	78.69	[ICRA]A (Stable)

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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