April 8, 2026

Sri Matha Spinning 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	24.37	12.40	[ICRA]BBB+ (Stable); reaffirmed
Long-term fund- based Working Capital Facilities	75.25	75.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term non-fund based-Working Capital Facilities	21.50	21.50	[ICRA]A2; reaffirmed
Long-term/Short-term Unallocated	3.88	16.10	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmed ratings on the bank lines of Sri Matha Spinning Mills Private Limited (SMSMPL) considers a moderate recovery in profitability witnessed in FY2025 and 11M FY2026 and an expected improvement in operational and financial performances over the medium term. This remains supported by the experience of its promoters in the cotton spinning industry, established relationship with customers and conservative capital structure. While revenues declined by 6% in FY2025 to Rs. 356.0 crore (on a YoY basis) due to decline in sales volumes, operating margins improved by 270 bps to 5.6% in FY2025 aided by moderation in raw material prices. In FY2026l, owing to weak demand in certain months caused due to US tariffs, operating income had dipped by around 11.8% (YoY, on annualised basis) to Rs. 287.9 crore in 11M FY2026. However, operating profit margins of the entity remaining flat at 5.5% in 11M FY2026, aided by reduced raw material prices and various cost control measures undertaken. Interest coverage ratio improved to 3.3 times in 11M FY2026 compared to 3.1 times seen in FY2025, with reduction in term loan borrowings. While recent reduction in US tariffs from high levels seen for certain months in FY2026 is a positive development, a likely moderation in apparel volumes exported caused to the ongoing West Asia crisis or reduction in export benefits given to apparel exporters would affect demand across the value chain and remains a key monitorable.

The ratings, however, remain constrained by the commoditised nature of the company's products, which, coupled with the fragmented industry structure and ongoing geopolitical uncertainties, result in limited pricing power, keeping profitability under check. Further, the ratings factor in the high working capital intensity of SMSMPL's operations due to the seasonal nature of cotton availability that requires stocking during the harvest season, rendering the profitability vulnerable to volatility in cotton prices.

The Stable outlook on the long-term rating factors in ICRA's expectations that the company's revenues and earnings are likely to improve over the medium term with a recovery in demand from downstream companies. Further, the outlook underlines ICRA's expectations that the incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record and experience of promoters in cotton spinning industry – SMSMPL has an established track record of more than two decades in the cotton spinning business. Further, the entity continues to enjoy operational synergies of being part of the erstwhile SSM Group, which supports it in maintaining healthy relationships with customers in the medium and coarser count yarn market in Tamil Nadu. The entity has an installed capacity of 75,360 spindles and 25.4 MW power capacity, meeting around 90% of its captive power requirements.

Comfortable capital structure and coverage indicators – SMSMPL's capital structure remains conservative, as reflected in total debt/tangible net worth of 0.3 times and total outside liabilities/tangible net worth of 0.4 times as on March 31, 2025, aided by the strong net worth base built over the years. The capital structure and coverage indicators are likely to remain comfortable over the medium term, supported by increase in contribution levels, no major debt-funded capital expansions planned by the entity and healthy increase in retained earning with improvement in profitability.

Credit challenges

Working capital-intensive operations; susceptible to volatility in cotton and cotton yarn prices – Like other entities in the spinning sector, SMSMPL stocks cotton during the harvest season from October to March. This practice exposes it to the fluctuations in cotton as well as cotton yarn prices during the non-harvest period as the procurement cost for SMSMPL becomes fixed. This also results in a high inventory position for the company, particularly during the peak season. Besides high receivables position, this increases the company's working capital intensity, as indicated by the net working capital/ operating income of 41.1% in FY2025.

Commoditised nature of yarn and fragmented industry structure and ongoing geopolitical uncertainties keep profitability under check – The spinning and knitting industries are highly fragmented with a significant share of the unorganised segment. The company's product portfolio continues to be concentrated towards medium and coarser count yarns, which entail relatively lower value addition. As a result, it enjoys limited pricing power, which is likely to keep its profitability under check. While recent reduction in US tariffs is a positive development, a likely moderation in apparel volumes towing to the ongoing conflict in West Asia or reduction in export benefits, which are generally extended to apparel exporters, would affect demand across the value chain and remains a key monitorable.

Liquidity position: Adequate

SMSMPL's liquidity position is expected to remain adequate, supported by steady earnings from operations of around Rs. 8-10 crore in FY2027, buffer available in its working capital limits for around Rs. 21.7 crore as on February 2026 and cash and liquid investment of Rs. 0.7 crore as on March 29, 2026. The average utilisation of its fund-based limits over the last 12 months ending in February 2026 stood at 59.7% of the sanctioned Rs. 75 crore. Against these sources of cash, SMSMPL has no major debt-fund capex planned over the medium term and has repayment obligations of Rs. 9.5 crore and Rs. 8.7 crore in FY2026 and FY2027, respectively.

Rating sensitivities

Positive factors – The ratings can be upgraded if there is a healthy and sustained increase in the profitability with improvement in liquidity profile and debt protection metrics.

Negative factors – The ratings could be downgraded if there is a sustained pressure on the company's operating performance or any large debt-funded capex, which would adversely impact the liquidity and debt protection metrics. Specific credit metrics that could trigger ratings downgrade include interest cover reducing below 2.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles-Spinning
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SMSMPL

Note (for analyst reference only):

About the company

Sri Matha Spinning Mills Private Limited was established in 1999 and operates with an installed capacity of 75,360 spindles. Located in Dindigul, Tamil Nadu, SMSMPL produces cotton yarn in counts ranging 16s to 44s, with the major counts being 25s, 30s and 34s. SMSMPL sells its produce mainly to the domestic customers. Over the years, SMSMPL has invested heavily in windmills with total installed capacity of 18.65 MWand solar power plant with an installed capacity of 6.75MW.

Key financial indicators (audited)

Standalone	FY2024	FY2025	11MFY2026*
Operating income	379.0	356.3	287.9
PAT	(3.3)	(2.1)	-
OPBDITA/OI	2.9%	5.6%	5.5%
PAT/OI	(0.9%)	(0.6%)	-
Total outside liabilities/Tangible net worth (times)	0.3	0.4	-
Total debt/OPBDITA (times)	4.7	3.4	-
Interest coverage (times)	2.0	3.1	3.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDITA: 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

		Current (FY2027)		Chronology of rating history for the past 3 years					
		FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Apr 8, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based- Term loans	Long-term	12.40	[ICRA]BBB+ (Stable)	-	-	Feb 04, 2025	[ICRA]BBB+ (Stable)	Nov 23, 2023	[ICRA]BBB+ (Stable)
Fund- based Working Capital Facilities	Long-term	75.00	[ICRA]BBB+ (Stable)	-	-	Feb 04, 2025	[ICRA]BBB+ (Stable)	Nov 23, 2023	[ICRA]BBB+ (Stable)
Non-fund-based working capital facilities	Short-term	21.50	[ICRA]A2	-	-	Feb 04, 2025	[ICRA]A2	Nov 23, 2023	[ICRA]A2
Unallocated limits	Long-term/ short-term	16.10	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	Feb 04, 2025	[ICRA]BBB+ (Stable)/ [ICRA]A2	Nov 23, 2023	[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 Working Capital Facilities	Simple
Short-term non-fund based-Working Capital Facilities	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-I**	Feb 2022	NA	Jan 2027	4.2	[ICRA]BBB+ (Stable)
NA	**Term loan-II**	Mar 2022	NA	Oct 2027	8.2	[ICRA]BBB+ (Stable)
NA	**Cash credit**	NA	NA	NA	75.0	[ICRA]BBB+ (Stable)
NA	**Non fund based working capital facilities**	NA	NA	NA	21.5	[ICRA]A2
NA	**Unallocated limits**	NA	NA	NA	16.1	[ICRA]BBB+ (Stable)/ [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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