April 8, 2026

Sri Sankari Yarns Private Limited: Ratings downgraded to [ICRA]BBB (Stable)/ [ICRA]A3+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Cash Credit	20.00	20.00	[ICRA]BBB (Stable); Rating Downgraded from [ICRA]BBB+ (Stable)
Long Term – Fund Based – Overdraft	0.15	0.15	[ICRA]BBB (Stable); Rating Downgraded from [ICRA]BBB+ (Stable)
Long Term – Fund Based – Term Loan	6.38	0.00	-
Short Term – Non-fund Based Limits	0.70	0.70	[ICRA]A3+; Rating Downgraded from [ICRA]A2
Short Term – Unallocated Limits	37.77	44.15	[ICRA]A3+; Rating Downgraded from [ICRA]A2
Total	**65.00**	**65.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision of ratings on the bank lines of Sri Sankari Yarns Private Limited (SSYPL) considers a weaker-than-expected recovery witnessed in FY2025 and only a slow recovery expected over the medium term due to ongoing geopolitical tensions. While operating income reduced by 11.5% (YoY) to Rs. 160.7 crore in FY2025 due to a decline of 4-5% each in sales volumes and realisations, moderation in trading volumes and raw material prices supported a 100 bps improvement in operating margins to 3.8%. In FY2026, the rise in sales volumes led to a 12.3% YoY revenue increase to Rs. 165.5 crore in 11M FY2026. However, owing to lower contribution levels and an increase in labour costs, operating margins moderated by 70 bps to 3.1% in 11M FY2026. The recent reduction in US tariffs from the high levels seen for certain months in FY2026 is a positive development. Nevertheless, a likely moderation in apparel export volumes caused by the ongoing West Asia crisis or a reduction in export benefits given to apparel exporters would affect demand across the value chain and remains a key 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, keeping profitability under check. Further, the ratings factor in the high working capital intensity of SSYPL's operations due to the seasonal nature of raw material availability. Also, the company's profitability remains vulnerable to volatility in cotton prices.

The ratings, however, remain supported by its established presence in the yarn market of Tamil Nadu, the extensive experience of the promoters, and SSYPL's conservative capital structure and healthy coverage indicators. Owing to a reduction in term loan borrowings and minimal dependence on bank borrowings, coverage indicators have remained comfortable. The interest coverage ratio and total debt / OPBDTIA stood at a healthy 6.8 times and 2.2 times, respectively, in FY2025, and the interest coverage indicator improved further to 7.9 times in 11M FY2026.

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 expectation that any incremental capex will be funded in a manner that enables the company to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established presence in spinning industry with extensive experience of its promoters – SSYPL is among the major suppliers of coarse-count yarn in the home textile weaving market of Tamil Nadu. The promoters have been involved in the textile industry for more than two decades, with SSYPL enjoying linkages with some of the companies in the erstwhile SSM Group (procures cotton waste from the Group to meet a portion of its raw material requirements). With a stable customer base and a consistent demand for coarser counts, SSYPL has been able to sustain its volumes over the years

Comfortable financial profile as characterised by conservative capital structure and adequate debt protection metrics – The company's capital structure remains conservative, supported by a strong net worth base, reflected in total debt/tangible net worth of 0.1 times and total outside liabilities/tangible net worth of 0.2 times as on March 31, 2025. Improvement in operating margins led to an enhancement in return metrics and coverage indicators. The interest coverage and debt service coverage ratios improved to 6.8 times and 1.8 times, respectively, in FY2025 from 4.8 times and 1.4 times, respectively, in FY2024. The interest coverage ratio further increased to 7.9 times in 11M FY2026. Going forward, the company's leverage and coverage indicators are likely to remain comfortable, supported by an increase in contribution levels and no major debt-funded expansions planned by the entity.

Credit challenges

Working capital-intensive operations; susceptible to volatility in cotton and cotton yarn prices – Like other entities in the spinning sector, SSYPL stocks cotton during the harvest season from October to March. This practice exposes it to fluctuations in cotton prices and, hence, cotton yarn prices during the non-harvest period, as the procurement cost for SSYPL becomes fixed. This also results in a high inventory position for the company, particularly during the peak season. Along with high receivables, this leads to high working capital intensity, as indicated by Net Working Capital/Operating Income of 38% in FY2025 compared to 28% in FY2024.

Commoditised nature of yarn, fragmented industry structure and ongoing geopolitical uncertainties keep profitability under check– The spinning industry is 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 profitability under check. While the recent reduction in US tariffs from the high levels seen for certain months in FY2026 is a positive development, a likely moderation in apparel export volumes caused by the ongoing West Asia crisis or a reduction in export benefits given to apparel exporters would affect demand across the value chain and remains a key monitorable.

Liquidity position: Adequate

SSYPL's liquidity position is expected to remain adequate, supported by steady earnings from operations and adequate unutilised lines of credit of Rs. 13.7 crore as on February 2026. The average utilisation of its fund-based limits over the last 12 months ending February 2026 stood at 41%, and the company's working capital limits of Rs. 20.0 crore remained unutilised for most months. The company has no major debt-funded capital expansion planned over the medium term, and there are no term loan repayment obligations in FY2027.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a healthy and sustained increase in the company's scale of operations and profitability, while maintaining a comfortable liquidity profile and strong debt protection metrics.

Negative factors – The ratings could be downgraded if there is sustained pressure on the company's operating performance or any large debt-funded capex, which would adversely impact liquidity and debt protection metrics.

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 SSYPL

About the company

SSYPL, incorporated in May 2007 and promoted by Mr. S.M.K. Sudhan, operates a spinning mill in Dindigul district, Tamil Nadu, with a capacity of around 4,848 rotors. It manufactures open-ended (OE) yarn, primarily from waste cotton obtained from other spinning mills in the region. SSYPL produces OE yarn in the count range between 2s and 26s, which is used in manufacturing home furnishing products. The major portion of sales is made to weaving units within Tamil Nadu. The company also has a total installed captive power generation capacity of 8.175 MW (5.1-MW wind power and 3.075-MW solar power).

Key financial indicators (audited)

SSYPL	FY2024	FY2025	11MFY2026*
Operating income	181.7	160.7	165.5
PAT	(1.0)	0.7	-
OPBDITA/OI	2.8%	3.8%	3.1%
PAT/OI	(0.5%)	0.4%	-
Total outside liabilities/Tangible net worth (times)	0.2	0.2	-
Total debt/OPBDITA (times)	1.6	2.2	-
Interest coverage (times)	4.8	6.8	7.9

*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

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Apr 8, 2026	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
					Feb 04, 2025	Nov 23, 2023
Fund-based-Cash credit	Long Term	20.00	[ICRA]BBB (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
Fund-based-Overdraft	Long Term	0.15	[ICRA]BBB (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
Fund-based-Term loan	Long Term	0.00	-	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
Non-fund based	Short Term	0.70	[ICRA]A3+	-	[ICRA]A2	[ICRA]A2
Unallocated Limits	Short-term	44.15	[ICRA]A3+	-	[ICRA]A2	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term-Fund Based-Cash Credit	Simple
Long Term-Fund Based-Overdraft	Simple
Short Term – Non-fund Based Limits	Simple
Short Term – Unallocated Limits	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	20.00	[ICRA]BBB (Stable)
NA	**Overdraft**	NA	NA	NA	0.15	[ICRA]BBB (Stable)
NA	**Non-fund based**	NA	NA	NA	0.70	[ICRA]A3+
NA	**Unallocated Limits**	NA	NA	NA	44.15	[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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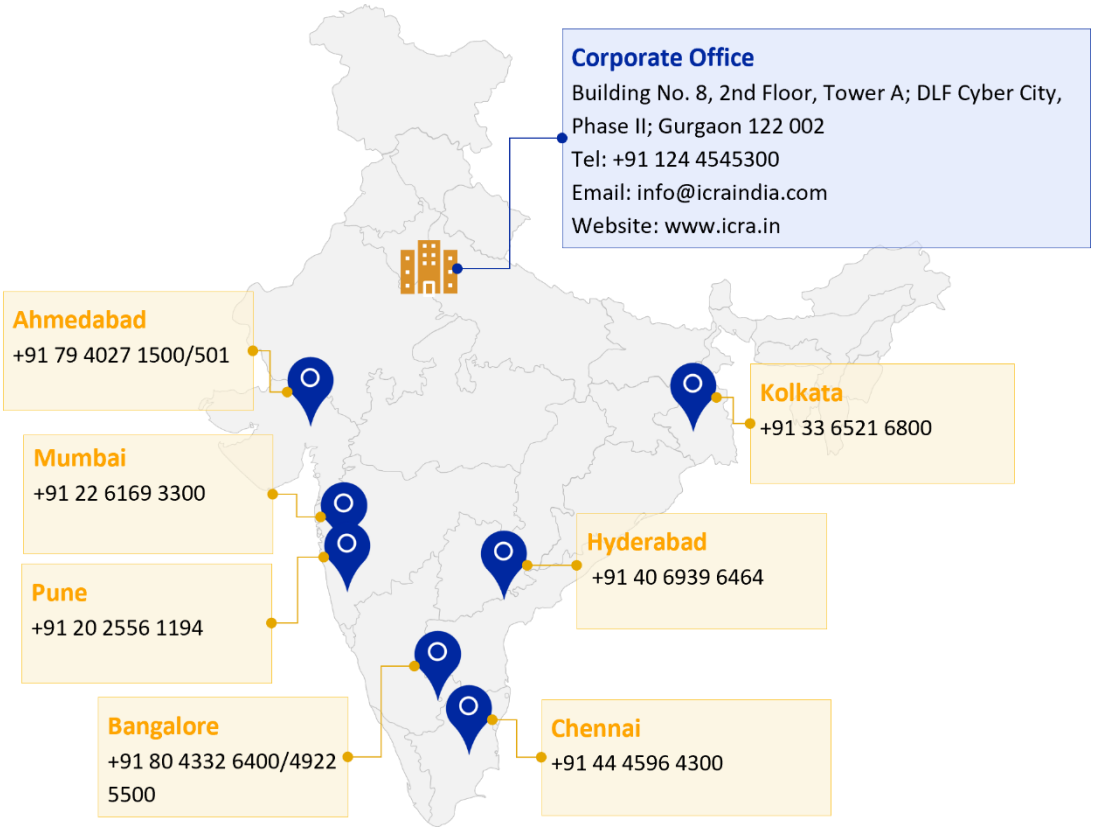

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