

April 08, 2026

Adisankara Spinning Mills Private Limited: Ratings downgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based Term Loans	4.91	2.65	[ICRA]BBB- (Stable); Rating Downgraded from [ICRA]BBB (Stable)
Long-term Fund-based Working Capital Facilities	90.00	90.00	[ICRA]BBB- (Stable); Rating Downgraded from [ICRA]BBB (Stable)
Long-term/Short-term Unallocated	35.09	37.35	[ICRA]BBB- (Stable)/[ICRA]A3; Rating downgraded from [ICRA]BBB (Stable)/ [ICRA]A3+
Total	130.00	130.00	

*Instrument details are provided in Annexure I

Rationale

The revision of ratings on the bank lines of Adisankara Spinning Mills Private Limited (ASMPL/the company) considers a weaker-than-expected recovery witnessed in FY2025 and in 9M FY2026, and only a modest recovery expected over the near-to-medium term. While operating income grew by 6.6% on a YoY basis to Rs. 301.7 crore in FY2025, there was a 100 bps contraction in operating margins to 4.7% in FY2025 (YoY) due to losses incurred in its garment division. This, coupled with an increase in bank borrowings, resulted in moderation in coverage indicators, with interest coverage and total debt/OPBITDA moderating to 2.1 times and 4.9 times, respectively, in FY2025 compared to 3.0 times and 3.6 times, respectively, in FY2024. The entity's coverage indicators are likely to remain weak over the medium term. In FY2026, the entity acquired Arul Devi Paper Mills Private Limited (APMPL) for Rs. 0.4 crore and extended loans and advances for Rs. 9.6 crore and gradual recovery in performance is expected in APMPL. 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 also factor in the high working capital intensity of ASMPL's operations due to the seasonal nature of cotton availability that requires stocking during the harvest season, making profitability vulnerable to volatility in cotton prices.

The ratings continue to be supported by its established presence in the knitted yarn market of Tamil Nadu, the extensive experience of its promoters in the spinning industry, and a healthy capital structure. ASMPL increased its garment capacity and added new customers in FY2026, which is expected to support revenue over the medium term.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company's revenues and earnings are likely to witness a modest recovery over the medium term. Further, the outlook underlines ICRA's expectation that any incremental capex will be funded in a manner that enables the entity 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 – ASMPL has an established track record of more than two decades in the cotton spinning business. The promoters have been involved in the hosiery yarn market in Tamil Nadu (which includes the large hosiery hub in Tirupur) for many years, with extensive experience in the

spinning industry. The company enjoys an established presence across other key domestic and export markets, which supports its healthy scale of operations.

Comfortable capital structure – AS MPL’s capital structure remains conservative, aided by the strong net worth base built over the years, as reflected in total debt/tangible net worth of 0.4 times and total outside liabilities/tangible net worth of 0.5 times as of March 31, 2025. The capital structure is expected to remain comfortable going forward.

Credit challenges

Working capital intensive operations and moderate coverage indicators– Like other entities in the spinning sector, AS MPL stocks cotton fibre during the harvest season from October to March. This practice exposes the company to fluctuations in cotton fibre prices and, hence, cotton yarn prices during the non-harvest period, as the procurement cost for AS MPL becomes fixed. This 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 (NWC/OI) of 40% in FY2025. However, a modest improvement is expected over the medium term with the entity gradually reducing credit extended to its customers. Also, coverage indicators moderated in FY2025 due to a decline in profitability and an increase in bank borrowings. Interest coverage and total debt/OPBITDA moderated to 2.1 times and 4.9 times, respectively, in FY2025 compared to 3.0 times and 3.6 times, respectively, in FY2024, owing to higher bank borrowings and moderation in operating margins.

Commoditised nature of yarn, 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 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

The liquidity profile of AS MPL is likely to remain adequate, supported by modest cash generated from operations and cushion in working capital limits of around Rs. 19.1 crore as of February 2026. The average utilisation of the sanctioned working capital limit stood at 80.3% of its sanctioned limits of Rs. 90.0 crore during the last 12 months ending February 2026. The company is likely to incur a capex of Rs. 17 crore in FY2026 (including assets transferred from AP MPL for Rs. 7 crore). Further, it has term loan repayment obligations of Rs. 2.1 crore in FY2026 and Rs. 1.4 crore in FY2027.

Rating sensitivities

Positive factors – The ratings can be upgraded if there is a healthy and sustained increase in the company’s scale of operations and profits, while improving 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. Specific credit metrics that could trigger a rating downgrade include the debt service coverage ratio falling below 1.4 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 taken consolidated financials of Adisankara Spinning Mills Private Limited and its subsidiary Aruldevi Paper Mills Private Limited.

Note (for analyst reference only):

About the company

ASMPL was incorporated in March 1995, operating with an installed capacity of 54,480 spindles, 46 knitting machines (including 16 leased machines), and 550 stitching machines. Located in Dindigul, Tamil Nadu, ASMPL produces cotton yarn in counts ranging 20s to 40s. It also produces knitted fabric and garments, albeit on a small scale. ASMPL sells its products mainly to domestic customers. The company owns windmills with an installed capacity of 15.6 MW and has solar power plants with an installed capacity of 7.6 MW. In FY2026, ASMPL acquired a 100% stake in Arul Devi Paper Mills Private Limited for around Rs. 10 crore.

Key financial indicators (audited)

ASMPL	FY2024	FY2025	9M FY2026*
Operating income	283.1	301.7	257.4
PAT	0.1	(1.5)	0.5
OPBDIT/OI	5.7%	4.7%	5.8%
PAT/OI	0.0%	(0.5%)	0.2%
Total outside liabilities/Tangible net worth (times)	0.4	0.5	-
Total debt/OPBDIT (times)	3.6	4.9	-
Interest coverage (times)	3.0	2.1	2.3

Source: Company, ICRA Research; * Provisional numbers; 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 (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	April 08, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	2.65	[ICRA]BBB-(Stable)	-	-	February 11, 2025	[ICRA]BBB (Stable)	Nov 23, 2023	[ICRA]BBB (Stable)
Fund-based working capital facilities	Long term	90.00	[ICRA]BBB-(Stable)	-	-	February 11, 2025	[ICRA]BBB (Stable)	Nov 23, 2023	[ICRA]BBB (Stable)
Non fund-based working capital facilities	Short term	-	-					-	-
Unallocated limits	Long term/ Short term	37.35	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	February 11, 2025	[ICRA]BBB (Stable)/[ICRA]A3+	Nov 23, 2023	[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
Long-term/ 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	Term loans	FY2025	NA	FY2029	2.65	[ICRA]BBB- (Stable)
NA	Fund-based working capital facilities	NA	NA	NA	90.00	[ICRA]BBB- (Stable)
NA	Unallocated Limits	NA	NA	NA	37.35	[ICRA]BBB-(Stable)/[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

Company name	Ownership	Consolidation Approach
Aruldevi Paper Mills Private Limited*	100%	Full consolidation

Source: Company and ICRA Research *acquired in FY2026

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