

May 22, 2026

Vedha 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	4.47	7.82	[ICRA]BBB- (Stable); reaffirmed
Long-term – Fund-based – Cash credit	75.00	75.00	[ICRA]BBB- (Stable); reaffirmed
Short-term – Non-fund based – Working capital facilities	10.00	10.00	[ICRA]A3; reaffirmed
Long-term/ Short-term – Unallocated	60.53	57.18	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed
Total	150.00	150.00	

*Instrument details are provided in Annexure II

Rationale

The ratings reaffirmation of the bank lines of Vedha Spinning Mills Private Limited (VSMPL) considers an expected improvement in operational and financial performances over the medium term post a moderation in demand seen in FY2026, owing to US reciprocal tariffs and suspension of certain manufacturing lines towards undertaking trial runs for blended yarn manufacturing. The recovery remains supported by the experience of its promoters in the cotton spinning industry, established relationship with its customers and its conservative capital structure. VSMPL's operating income moderated by around 16.8% (year over year; YoY) to Rs. 270.6 crore in FY2026 due to decline in realisation and traded volumes. Also, operating margins moderated by 130 bps (YoY) to 4.8% in FY2026 due to US tariffs and incremental cost incurred towards undertaking trial runs for blended yarn manufacturing. In FY2027, the entity had suspended the blended yarn manufacturing business, and yarn contribution margins had seen a healthy enhancement in April and May 2026. This is likely to support a robust recovery in margins in FY2027 compared to the levels seen in FY2026. While the interest coverage and TD/OPBDITA ratios moderated to 2.4 times and 3.9 times, respectively, in FY2026 from 3.3 times each in FY2025, they are expected to improve in FY2027, supported by a recovery in operating margins.

The ratings, however, remain constrained by the commoditised nature of the company's products which, coupled with the fragmented industry structure, results in limited pricing power and keeps profitability under check. Further, the ratings factor in the high working capital intensity of VSMPL's operations due to the seasonal nature of cotton availability that requires stocking during the harvest season, keeping profitability vulnerable to volatility in cotton prices. The uncertainty brought on by the ongoing geopolitical developments, including the current West Asia Crisis, and its impact on the company's business performance remain key monitorables.

The Stable outlook on the long-term rating factors in ICRA's expectations that the revenues and earnings of the company will improve over the near-to-medium term with recovery demand from downstream companies. Further, the outlook underlines ICRA's anticipation that the incremental capital expenditure (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 - VSMPL has an established track record of more than two decades in the cotton spinning business. Further, the entity continues to enjoy operational synergies as part of the erstwhile SSM Group, which supports the maintenance of healthy relationships with customers in the medium and coarser count yarn market in Tamil Nadu. The entity has an installed capacity of 68,016 spindles and 17.6 MW power capacity, meeting around 60% of its captive power requirements

Comfortable capital structure - VSMPL'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 0.5 times as on March 31, 2026, aided by the strong net worth base built over the years. The capital structure is likely to stay 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; susceptibility to volatility in cotton and cotton yarn prices – Similar to other entities in the spinning sector, VSMPL stocks cotton during the harvest season. Though this practice has moderated over the last two fiscals owing to high volatility observed in cotton prices, entities, including the company, continue to procure certain stock during the harvest season. As a result, it remains exposed to the fluctuations in cotton prices. Besides the elevated receivables position relating to long pending dues for around Rs. 49.1 crore as on March 31, 2026 recoverable from its group entities had resulted in an increase in working capital intensity (Net Working Capital/ Operating Income) to 39.4% in FY2026 compared to 35.2% in FY2025. As per management, all these dues are fully recoverable.

Commoditised nature of yarn and fragmented industry structure 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, its pricing power is limited, which is likely to keep profitability under check.

Liquidity position: Adequate

VSMPL's liquidity position is expected to remain Adequate, supported by cash flow from operations of Rs. 6-8 crore in FY2027, buffer available in its working capital limits for around Rs. 28 crore as on April 2026 and cash and liquid investment of Rs. 2.6 crore as on March 2026. The average utilisation of its fund-based limits over the last 12 months ending in April 2026 stood at 56.2% of the sanctioned Rs. 65 crore. Against these sources of cash, VSMPL has no major debt-funded capex planned over the medium term and has repayment obligations of Rs. 2.8 crore and Rs. 2.4 crore in FY2027 and FY2028, respectively.

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 profits, while maintaining comfortable liquidity profile and debt protection metrics.

Negative factors – ICRA may downgrade the ratings if there is any sustained pressure on the company's operating performance or any significant debt-funded capex, which would adversely impact its debt protection metrics and liquidity position. Specific credit metrics which may result in a downward rating action include interest coverage ratio remaining 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	The ratings are based on the standalone financial profile of the company.

About the company

Incorporated in January 2002, VSMPL had a capacity of 58,000 spindles, which was reduced to 48,336 during a business restructuring due to family division. Following the same, the entity added 19,680 spindles, and its current capacity stands at 68,016 spindles with its facility located at Dindigul, Tamil Nadu. The company produces cotton yarn (ring spinning), with primary focus on the count range of 30s and has an installed windmill capacity of 15.6 MW and solar capacity of 2 MW.

Key financial indicators (audited)

VSMPL (standalone)	FY2025	FY2026*
Operating income (OI)	325.4	270.6
PAT	7.7	6.1
OPBDITA/OI	6.1%	4.8%
PAT/OI	2.4%	2.3%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDITA (times)	3.3	3.9
Interest coverage (times)	3.3	2.4

Source: Company, ICRA Research; * Provisional number; 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	Type	Current		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2027	FY2026		FY2025		FY2024		
			Date	Date	Rating	Date	Rating	Date	Rating	
Term loan	Long-term	7.82	May 22, 2026	[ICRA]BBB- (Stable)	Apr-04-2025	[ICRA]BBB- (Stable)	Apr-02-2024	[ICRA]BB+ (Stable)	Dec-14-2023	[ICRA]BBB (Stable) ISSUER NOT COOPERATING
Cash credit	Long-term	75.00	May 22, 2026	[ICRA]BBB- (Stable)	Apr-04-2025	[ICRA]BBB- (Stable)	Apr-02-2024	[ICRA]BB+ (Stable)	Dec-14-2023	[ICRA]BBB (Stable) ISSUER NOT COOPERATING
Non-fund-based facility	Short-term	10.00	May 22, 2026	[ICRA]A3	Apr-04-2025	[ICRA]A3	Apr-02-2024	[ICRA]A4+	Dec-14-2023	[ICRA]A3+ ISSUER NOT COOPERATING
Unallocated facility	Long-term/Short-term	57.18	May 22, 2026	[ICRA]BBB- (Stable) / [ICRA]A3	Apr-04-2025	[ICRA]BBB- (Stable) / [ICRA]A3	Apr-02-2024	[ICRA]BB+ (Stable) / [ICRA]A4+	Dec-14-2023	[ICRA]BBB (Stable) / [ICRA]A3+ ISSUER NOT COOPERATING

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA-rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fis	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under regulatory purview of various FSR as under:

Sr. No.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSR other than SEBI.

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 – Working capital facilities	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2026	NA	FY2030	7.82	[ICRA]BBB- (Stable)
NA	Cash credit	NA	NA	NA	75.00	[ICRA]BBB- (Stable)
NA	Non-fund based	NA	NA	NA	10.00	[ICRA]A3
NA	Unallocated limits	NA	NA	NA	57.18	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis – Not applicable

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