

December 08, 2025

SP 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 - Cash credit	7.00	12.00	[ICRA]BBB-(Stable); reaffirmed
Short term – Non fund based facilities	8.25	7.00	[ICRA]A3; reaffirmed
Long-term-Unallocated limits	4.00	0.25	[ICRA]BBB-(Stable); reaffirmed
Total	19.25	19.25	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of SP Spinning Mills Private Limited (SSMPL) reflects an expectation of stable operational and financial performance in FY2026, following a revival witnessed in FY2025, supported by increase in sales volumes and improved contribution levels. SSMPL's revenues grew by 19.4% on a YoY basis with Rs. 122.4 crore in FY2025, supported by recovery of demand and increase in sale volumes of cotton yarn. The company's operating leverage, coupled with softening of raw materials prices, led to an improvement in the operating profit margin (OPM) to 4.5% in FY2025, compared to operating losses in FY2024. Further, SSMPL's credit metrics improved with an interest coverage ratio of 8.2 times in FY2025, and Total Debt/OPBDITA ratio improved to 2.4 times as on March 31, 2025, mainly supported by improved operating profit. The ratings are further supported by the conservative capital structure of the company, aided by relatively lower reliance on external debt and its captive power generation capacities supporting around 75% of its power requirements. The ratings also consider the extensive experience of the promoters and established presence in the domestic medium count yarn segment.

The ratings, however, remain constrained by the company's moderate scale of operation, which limits the benefits arising from the economies of scale and limited pricing flexibility in an intensely competitive and fragmented cotton yarn industry. Further, the ratings factor in the working capital-intensive nature of operations due to the seasonal nature of cotton availability that requires stocking during the harvest season, making the profitability vulnerable to volatile cotton prices.

ICRA notes that SSMPL plans to divest its 91.79% equity stake in SP Textile Processors Private Limited (STPPL). Discussions regarding this transaction are ongoing, with completion targeted within the next six to twelve months. Additionally, SSMPL is not expected to provide any financial support to STPPL going forward. Consequently, SSMPL's ratings are now based on its standalone financials, instead of the earlier consolidated approach.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company is likely to improve its earnings and coverage metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established presence in the industry – SSMPL has a long track record of operations, spanning over four decades in the spinning industry, with an established presence in manufacturing medium-count yarns (that have a relatively more stable demand in the weaving market of Salem region in Tamil Nadu). The promoters have long

relationships with various stakeholders across the value chain, aiding in repeated orders from key customers. The company's profitability remains supported by the captive power generating windmill units and solar capacities, through which it is meeting around 75% of the power requirements.

Comfortable financial profile – SSMPL's financial profile remains comfortable, characterised by a conservative capital structure, supported by its net worth, and moderate dependence on external debt. Key metrics, including Total Debt/TNW and TOL/TNW stood at 0.2 times and 0.4 times, respectively, as on March 31, 2025. The capital structure is expected to remain comfortable as there are no major debt-funded capex plans by SSMPL over the medium term, while the net worth is further expected to improve on the back of consistent profit accretion. Further, SSMPL's credit metrics have revived with interest coverage and Total Debt/OPBDITA improving to 8.2 times and 2.4 times, respectively, in FY2025 mainly supported by improved operating profit.

Credit challenges

Moderate scale of operations amid intense competition in spinning industry – SSMPL has a moderate scale of operations with an installed capacity of 24,144 spindles and 672 rotors, which limits the benefits arising from economies of scale. Further, it is exposed to intense competition in the cotton yarn manufacturing industry, characterised by minimal product differentiation and a fragmented nature of the industry, which constrains its pricing flexibility.

Susceptible to volatility in cotton and cotton yarn prices – Like other entities in the spinning sector, SSMPL stocks cotton during the harvest season from October to March. This exposes it to the fluctuations in cotton and cotton yarn prices during the non-harvest period as the procurement cost becomes fixed. This also results in a high inventory position for the company, particularly during the peak season. This, coupled with extended receivables days, results in moderately high working capital intensity for the company, as indicated by the net working capital/operating income at around 33% in FY2025.

Liquidity position: Adequate

SSMPL's liquidity is expected to remain adequate on account of steady cash generation from business and adequate buffer in working capital limits. The average working capital utilisation stood at around 57% on the sanctioned limit over the 12-month period ending October 2025. While the company has unutilised working capital limits of Rs. 6.2 crore as on October 30, 2025, the average cushion stood at Rs. 6.1 crore during the past 12 months ending in October 2025. The company is projected to generate cash accruals in the range of Rs. 5–8 crore in FY2026, against which it has no repayment obligations. ICRA also notes that SSMPL does not have any major debt-funded capital expenditure plans in the near term.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company registers a sustained growth in revenues and earnings while maintaining its comfortable capital structure and liquidity position.

Negative factors – Pressure on SSMPL's ratings may arise if there is any sharp decline in revenues or earnings or any significant elongation in working capital cycle, which would adversely impact its coverage metrics and liquidity position. Specific metrics that could trigger ratings downgrade include the company's interest coverage falling 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 statements of the rated entity.

About the company

SSMPL was incorporated in 1979 with 2,656 spindles and progressively expanded to its current capacity of 24,144 spindles and 672 rotors. The company is closely held by Mr. Kanakarajan and his family members, who have close to four decades of experience in the industry. It purchases cotton primarily from the domestic market and manufactures 100% cotton yarn with focus on medium and coarser counts. The company has a subsidiary, SP Textile Processors Private Limited, which is involved in yarn dyeing.

Key financial indicators (Audited)

SSMPL standalone	FY2024	FY2025
Operating income	102.5	122.4
PAT	-2.5	1.4
OPBDIT/OI	-0.4%	4.5%
PAT/OI	-2.4%	1.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.4
Total debt/OPBDIT (times)	-15.3	2.4
Interest coverage (times)	-1.4	8.2

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	Type	Current ratings			Chronology of rating history for the past 3 years					
		FY2026			FY2025		FY2025		FY2023	
		Amount Rated (Rs crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long-term	12.00	Dec 8, 2025	[ICRA]BBB-(Stable)	Dec 17, 2024	[ICRA]BBB-(Stable)	Oct 06, 2023	[ICRA]BBB-(Stable)	Sep 29, 2022	[ICRA]BBB (Stable)
Non fund based	Short-term	7.00	Dec 8, 2025	[ICRA]A3	Dec 17, 2024	[ICRA]A3	Oct 06, 2023	[ICRA]A3	Sep 29, 2022	[ICRA]A3+
Unallocated	Long-term	0.25	Dec 8, 2025	[ICRA]BBB-(Stable)	Dec 17, 2024	[ICRA]BBB-(Stable)	Oct 06, 2023	[ICRA]BBB-(Stable)	Sep 29, 2022	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Cash credit	Simple
Short term - Non fund based facility	Very 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	12.00	[ICRA]BBB-(Stable)
NA	Letter of credit/ Bank Guarantee	NA	NA	NA	7.00	[ICRA]A3
NA	Unallocated	NA	NA	NA	0.25	[ICRA]BBB-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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