

December 8, 2025

SP Textile Processors Private Limited: Ratings downgraded to [ICRA]BB(Stable)/ [ICRA]A4

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund based - Cash credit	6.50	6.50	[ICRA]BB(Stable); downgraded from [ICRA]BB+(Stable)
Short-term – Unallocated limits	0.25	0.25	[ICRA]A4; downgraded from [ICRA]A4+
Total	6.75	6.75	

*Instrument details are provided in Annexure-I

Rationale

The ratings downgrade of SP Textile Processors Private Limited (STPPL) reflects the removal of expected financial support from its holding company, SP Spinning Mills Private Limited (SSMPL), following SSMPL's plans to divest its 91.79% stake in 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.

The ratings continued to factor in its improved operational and financial performance in FY2025 and an expected steady performance over the near to medium term, supported by its established presence in the yarn dyeing segment and increasing focus on value-added products. STPPL's revenues grew by 20.9% Year-on-Year (YoY), reaching Rs. 106.8 crore in FY2025, driven by higher price realisations and a one-time yarn trading sale of Rs. 9.7 crore. The company's operating leverage, coupled with lower job work charges by a Group company, resulted in an improvement in operating profit margin (OPM) by 60 basis points to 8.2% in FY2025. An increased earnings and cash accruals supported improvement in debt protection metrics, with the interest coverage of 5.5 times and total Debt/OPBDITA at 1.9 times, respectively, in FY2025, compared to 2.8 times and 1.9 times, respectively, in FY2024. These coverage metrics are likely to remain stable and adequate in the medium term, supported by expected steady earnings and the absence of any major debt-funded capex plans.

The ratings, however, remain constrained by its moderate scale of operations, which affects the benefits arising from the economies of scale. Despite a steady improvement in recent years, the net worth remains at moderate levels due to limited accretion to reserves. Further, there is inherent cyclicity associated with the textile sector and the profitability is vulnerable to fluctuations in raw material prices.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company is likely to maintain 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 durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Established presence of promoters in the industry spanning over three decades – STPPL is an established regional player in yarn dyeing and the grey fabric market, with presence for over three decades in the textile business. STPPL is among the few organised processing entities operating in the region. It has been classified as an A-grade dye house by leading global apparel companies. STPPL enjoys long relationships with its major customers, which have lent some stability to its volumes.

Comfortable debt protection metrics – STPPL’s OPM improved marginally to 8.2% in FY2025 from 7.6% in FY2024, backed by STPPL’s increased focus on higher value-added products and increase in scale of operations, leading to better operating leverage. Further, given the relatively lower dependence on external debt and improved earnings, the coverage indicators remain comfortable. Its debt protection metrics remained adequate, characterised by total debt to operating profit ratio of 1.9 times and an interest coverage ratio of 5.5 times in FY2025. Going forward, the coverage indicators likely remain adequate with expected steady earnings.

Credit challenges

Moderate scale of operations – STPPL has a moderate scale of operations with revenues of Rs. 106.8 crore in FY2025, which constrain benefits from the economies of scale and profitability. With the current capacity, the revenue is unlikely to increase significantly from the current level. However, the directors of STPPL have forward integrated through addition of looms in a Group entity, SP Textile Mills LLP, incorporated in 2016. The same undertakes a portion of weaving requirements of dyed yarn and processing of grey fabric and has reduced the lead time of servicing customers, which is expected to improve the performance of STPPL, going forward.

Modest net worth base – STPPL has a modest net worth base of Rs. 16.9 crore as on March 31, 2025 (Rs. 13.3 crore as on March 31, 2024) due to limited accretion to reserve amid moderate scale of operations and earnings. Nevertheless, steady accretion to reserves is expected to improve the net worth base of STPPL over the medium term.

Intensely competitive and fragmented industry – STPPL operates in an intensely competitive and fragmented textile processing industry, which mainly comprises unorganised players. Besides, its earnings remain vulnerable to fluctuations in raw material prices owing to limited pricing flexibility. Thus, any adverse movement in the price of key raw materials could affect its margins, as the company may not be able to pass on the price hike to its customers owing to stiff competition.

Liquidity position: Stretched

STPPL’s liquidity position is expected to remain stretched, given the limited buffer available in the working capital limits and higher working capital requirements in the business. The average utilisation of working capital limits stood at around 90% of its sanctioned limit of Rs. 8.5 crore over the last 12 months ending in October 2025. Its liquidity position has been supported by unsecured loans infused by the promoters over the years. STPPL is expected to generate cash accruals of around Rs. 4-7 crore and has debt repayment obligation of Rs. 0.5 crore in FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade STPPL’s ratings if the company reports a steady growth in revenues and earnings, thus strengthening its net worth and liquidity position on a sustained basis while maintaining the comfortable debt coverage metrics.

Negative factors – Pressure on the ratings could arise if there is any significant decline in STPPL’s revenues or earnings, or any major debt-funded capex, or any further elongation of working capital cycle weakens the liquidity position and debt protection metrics on a sustained basis. Key credit metrics, which could trigger ratings downgrade, include the interest coverage reducing to less than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

STPPL, incorporated in 1993, is primarily involved in yarn dyeing and it gets fabric weaving done on a job-work basis. The company is a subsidiary of SP Spinning Mills Private Limited (shareholding of 91.8%), which is involved in the spinning of cotton yarn. STPPL's operations are currently managed by Mr. S. Karthikeyan.

Key financial indicators (Audited)

STPPL	FY2024	FY2025
Operating income	88.3	106.8
PAT	2.0	3.5
OPBDIT/OI	7.6%	8.2%
PAT/OI	2.3%	3.3%
Total outside liabilities/Tangible net worth (times)	2.2	2.1
Total debt/OPBDIT (times)	1.9	1.9
Interest coverage (times)	2.8	5.5

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

Current ratings					Chronology of rating history for the past 3 years					
FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based –Cash credit	Long-term	6.50	Dec 8, 2025	[ICRA]BB (Stable)	Dec 17, 2024	[ICRA]BB+ (Stable)	Oct 06, 2023	[ICRA]BB+ (Stable)	Sep 29, 2022	[ICRA]BB+ (Stable)
Unallocated limits	Short-term	0.25	Dec 8, 2025	[ICRA]A4	Dec 17, 2024	[ICRA]A4+	Oct 06, 2023	[ICRA]A4+	Sep 29, 2022	[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Cash credit	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	6.50	[ICRA]BB(Stable)
NA	Unallocated limits	NA	NA	NA	0.25	[ICRA]A4

Source: Company

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

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@icraindia.com

Vilasagaram Nandakishore

+91 40 6939 6407

vilasagaram.nandakishore@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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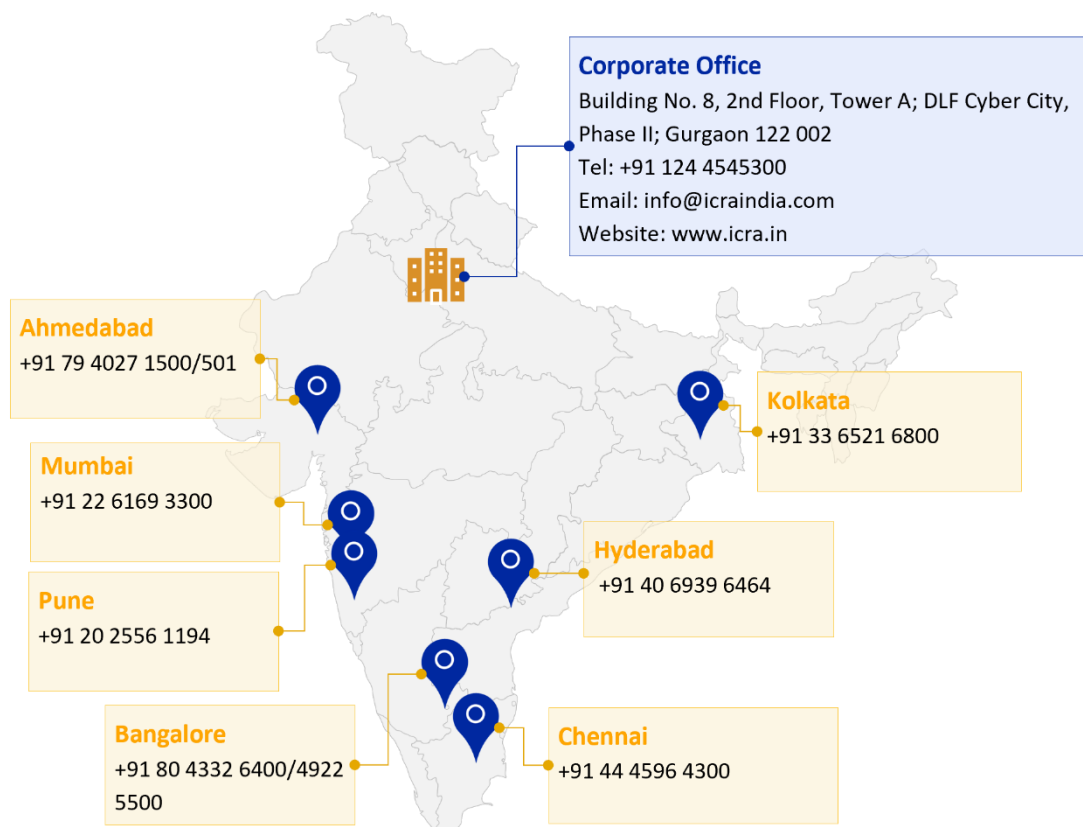


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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