June 02, 2025

Deepak Spinners Limited: Update on material event

Summary of rating(s) outstanding

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating outstanding
Long-term - Fund Based – Cash Credit	60.00	60.00	[ICRA]A- (Negative); Outstanding
Short term - Fund Based – Export Packing Credit (Interchangeable)^	(15.00)	(15.00)	[ICRA]A2+; Outstanding
Short term - Fund Based – Bill Discounting (Interchangeable)^	(15.00)	(15.00)	[ICRA]A2+; Outstanding
Short term - Non-Fund Based – Letter of Credit	2.00	2.00	[ICRA]A2+; Outstanding
Short term - Non-Fund Based – Capex Letter of Credit	10.00	10.00	[ICRA]A2+; Outstanding
Short term - Non-Fund Based – Credit Exposure Limit	1.00	1.00	[ICRA]A2+; Outstanding
Long-term - Non-Fund Based – Bank Guarantee	3.00	3.00	[ICRA]A- (Negative); Outstanding
Long-term/ Short-term - Unallocated limit	16.10	16.10	[ICRA]A- (Negative)/ [ICRA]A2+; Outstanding
Total	**92.10**	**92.10**	

**Instrument details are provided in Annexure-I; ^Within the overall fund-based working capital limit*

Rationale

Material Event

Deepak Spinners Limited (DSL), involved in manufacturing of synthetic spun yarn, announced its financial results of Q4 FY2025 and FY2025 on May 22, 2025. In Q4 FY2025, DSL's operating income (OI) grew by 11.8% on a YoY basis. However, its operating profit margin (OPM) remained negligible in Q4 FY2025 vis-à-vis an OPM of 2.3% in Q4 FY2024. Sequentially, the company's OPM improved in the preceding two quarters (1.5% in Q2 FY2025 and 2.8% in Q3 FY2025) following an operating loss in Q1 FY2025 but weakened again in Q4 FY2025. In FY2025, the company's OI improved by 11.1%, however, the OPM fell to 1.0% from 4.9% in FY2024 and 12.7% in FY2023. An adverse demand-supply situation led to subdued realisations vis-à-vis raw material costs and other operational costs, weighing on DSL's profitability over the last two fiscals.

Material Event Impact

DSL's credit metrics were adversely impacted by weakening of its profitability. Its interest coverage and total debt/OPBDITA deteriorated to 1.3 times and 7.3 times respectively, in FY2025 from 5.9 times and 1.9 times, respectively in FY2024. However, DSL does not have any long-term loans. Its capital structure remained comfortable with a gearing of 0.2 times and TOL/TNW of 0.5 time as on March 31, 2025. Despite margin pressure, its working capital debt declined in FY2025 and it has an undrawn working capital limit of more than Rs. 20 crore at present. This is likely to support the company's liquidity position despite deterioration in profitability, given its low debt service obligation. ICRA is in touch with the company to understand the reasons for the continuing underperformance as well as the outlook for the company. ICRA will continue to monitor the developments and assess the company's credit profile once clarity emerges on the same.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: Click here

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 rating, ICRA has considered the standalone financials of the rated entity

About the company

Incorporated in 1982 by Mr. Pradip Kumar Daga, Deepak Spinners Limited manufactures blended synthetic spun yarns. The company has two plants at Baddi in Himachal Pradesh and at Guna in Madhya Pradesh with a total spinning capacity of around 37,000 metric tonnes per annum. The Baddi and Guna units had around 41,000 and 54,000 spindles, respectively, as of March 2024. Additionally, the Baddi unit has a dye house. The company mainly produces synthetic yarns of 8-30 counts. The Guna plant has captive solar power plants of 8 MW, including an offsite plant of 1 MW. It also draws power from a 5-MW solar power plant of its Group company, Deepak Industries Limited (DIL).

Key financial indicators (audited)

DSL (Standalone)	FY2024	FY2025
Operating income	471.8	524.1
PAT	1.3	-10.2
OPBDIT/OI	4.9%	1.0%
PAT/OI	0.3%	-1.9%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	1.9	7.3
Interest coverage (times)	5.9	1.3

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 (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Jun 02, 2025	Date	Rating	Date	Rating	Date	Rating
Non-Fund Based – Bank Guarantee	Long term	3.00	[ICRA]A- (Negative)	23-AUG-2024	[ICRA]A- (Negative)	31-MAY-2023	[ICRA]A- (Stable)	-	-
Fund Based – Cash Credit	Long term	60.00	[ICRA]A- (Negative)	23-AUG-2024	[ICRA]A- (Negative)	31-MAY-2023	[ICRA]A- (Stable)	-	-
Unallocated limit	Long term/ Short term	16.10	[ICRA]A- (Negative)/ [ICRA]A2+	23-AUG-2024	[ICRA]A- (Negative)/ [ICRA]A2+	31-MAY-2023	[ICRA]A- (Stable)/ [ICRA]A2+	-	-
Fund Based – Bill Discounting (Interchangeable)*	Short Term	(15.00)	[ICRA]A2+	23-AUG-2024	[ICRA]A2+	31-MAY-2023	[ICRA]A2+	-	-
Fund Based – Export Packing Credit (Interchangeable)*	Short Term	(15.00)	[ICRA]A2+	23-AUG-2024	[ICRA]A2+	31-MAY-2023	[ICRA]A2+	-	-
Non-Fund Based – Letter of Credit	Short Term	2.00	[ICRA]A2+	23-AUG-2024	[ICRA]A2+	31-MAY-2023	[ICRA]A2+	-	-
Non-Fund Based – Capex Letter of Credit	Short Term	10.00	[ICRA]A2+	23-AUG-2024	[ICRA]A2+	31-MAY-2023	[ICRA]A2+	-	-
Non-Fund Based – Credit Exposure Limit	Short term	1.00	[ICRA]A2+	23-AUG-2024	[ICRA]A2+	31-MAY-2023	[ICRA]A2+	-	-
Term Loan	Long term	-	-	-	-	31-MAY-2023	[ICRA]A- (Stable)	-	-
Standby Line of Credit	Short term	-	-	-	-	31-MAY-2023	[ICRA]A2+		

**Within the overall fund-based working capital limit*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term – Fund Based (Cash Credit)	Simple
Short term – Fund Based – Interchangeable (Export Packing Credit)*	Simple
Short term – Fund Based – Interchangeable (Bill Discounting)*	Simple
Short term – Non-Fund Based (Letter of Credit)	Very simple
Short term – Non-Fund Based (Capex Letter of Credit)	Very simple
Long term – Non-Fund Based (Bank Guarantee)	Very simple
Short term – Non-Fund Based (Credit Exposure Limit)	Very simple

Long term/short term – Unallocated limit	Not applicable

**Within the overall fund-based working capital limit*

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	Fund Based – Cash Credit	NA	NA	NA	60.00	[ICRA]A- (Negative)
NA	Fund Based – Export Packing Credit (Interchangeable)*	NA	NA	NA	(15.00)	[ICRA]A2+
NA	Fund Based – Bill Discounting (Interchangeable)*	NA	NA	NA	(15.00)	[ICRA]A2+
NA	Non-Fund Based – Letter of Credit	NA	NA	NA	2.00	[ICRA]A2+
NA	Non-Fund Based – Capex Letter of Credit	NA	NA	NA	10.00	[ICRA]A2+
NA	Non-Fund Based – Bank Guarantee	NA	NA	NA	3.00	[ICRA]A- (Negative)
NA	Non-Fund Based – Credit Exposure Limit	NA	NA	NA	1.00	[ICRA]A2+
NA	Unallocated limit	NA	NA	NA	16.10	[ICRA]A- (Negative)/ [ICRA]A2+

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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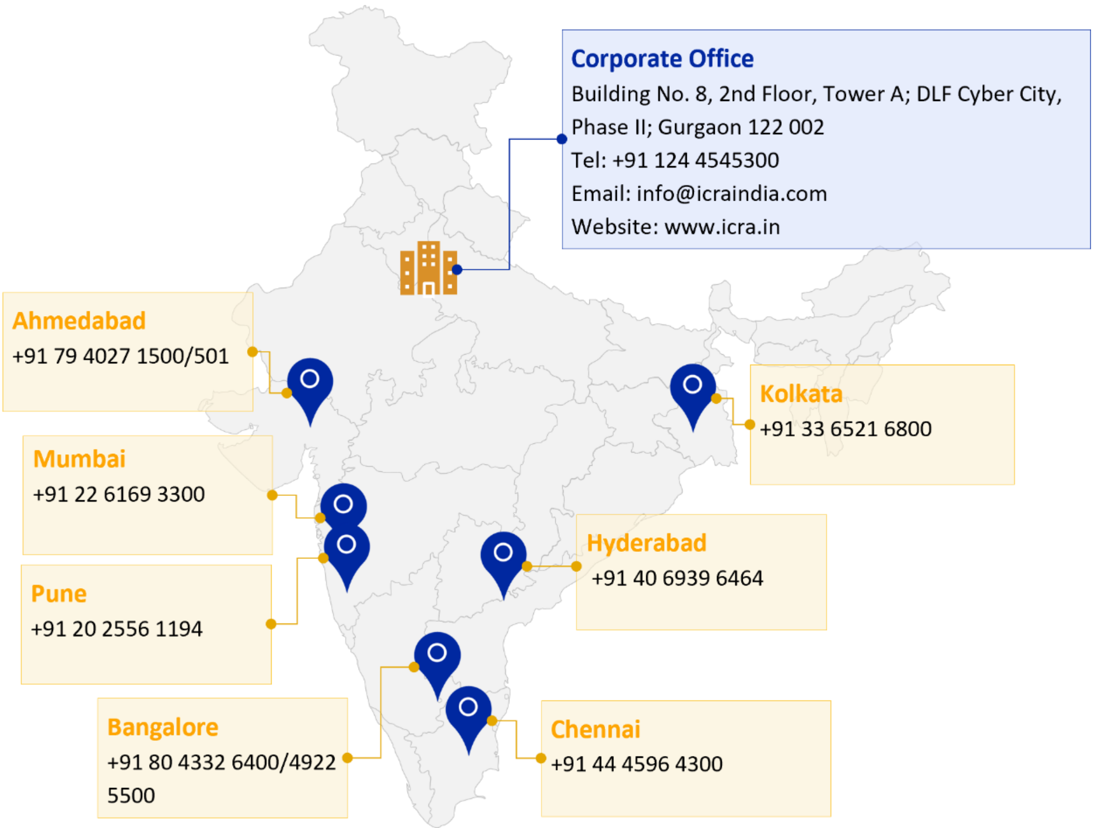

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