**June 18, 2026**

# Sri Shanmugavel 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** | 128.74 | 31.69 | [ICRA]BB (Stable); reaffirmed |
| **Long-term – Fund based - Cash credit** | 135.00 | 105.00 | [ICRA]BB (Stable); reaffirmed |
| **Short-term – Non-fund based - Working capital facilities** | 30.00 | 30.00 | [ICRA]A4; reaffirmed |
| **Long-term/short-term - Unallocated** | 0.50 | 0.00 | - |
| **Total** | **294.24** | **166.69** | |

**Instrument details are provided in Annexure-II*

## Rationale

While arriving at the ratings, ICRA has considered the consolidated financials of Sri Shanmugavel Mills Private Limited (SSMPL), comprising SSMPL and its wholly-owned subsidiary, Be One Textiles Private Limited.

The ratings reaffirmation on the bank lines of SSMPL considers an expected improvement in its operational and financial performance over the medium term, following a modest recovery of its operating margins in FY2026, aided by the large and integrated nature of operations, and promoters' established track record and experience in the textile industry. While SSMPL's consolidated revenues declined by 1.2% (YoY) to Rs. 599.3 crore in FY2026, owing to moderation in raw material prices, power cost and lack of any provision created towards long-pending receivables (provision for Rs. 25.1 crore created in FY2025), supported an increase in operating margins by 630 basis points (YoY) to 6.9% in FY2026. The ratings also consider its captive power generation capacities, supporting major portion of its power requirements.

The ratings, however, remain constrained by the commoditised nature of the company's products, which, coupled with the fragmented industry structure, result in limited pricing power and keep the profitability under check. Although debt coverage indicators improved in FY2026, with an interest coverage ratio of 1.3 times and DSCR of 0.4 times compared to 0.1 times and 0.3 times in FY2025, respectively, it remained weak. ICRA notes that SSMPL plans to sell the factory land at unit 4 in FY2027, which is expected to support its liquidity and reduce bank borrowings. The sale was expected in FY2026 but got deferred due to operational reasons. The promoters had infused unsecured loans for Rs. 44.4 crore in FY2026 towards mitigating the cash flows during the fiscal. Also, the extended credit received from its erstwhile Group entities had supported the entity's cash flow. The timely receipt of proceeds from the sale of property is likely to support its funding requirements and would be a key rating monitorable. Further, the ratings factor in the working capital intensity of operations due to cotton's seasonal availability, which requires stocking during the harvest season. This renders the company's profitability vulnerable to volatility in cotton prices.

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 expectations 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 commensurate with the existing ratings.

## Key rating drivers and their description

### Credit strengths

**Established track record and experience of promoters in cotton spinning industry** – SSMPL continues to enjoy operational synergies for being a part of the larger SSM Group, which supports it in maintaining healthy relationships with its customers, with sizeable capacities in the spinning and fabric segments. The promoters have been involved in Tamil Nadu's hosiery yarn market (which includes the large hosiery hub in Tirupur) for many years and have extensive experience in the spinning industry. The company has an established presence across other key domestic and export markets, which supports its healthy scale of operations.

**Large scale of operations and integrated nature of business with captive power generating capacities** – SSMPL's revenue profile is diversified with integrated operations comprising spinning, knitting and garment, along with captive windmill, supporting better operational efficiency and value addition. The major portion of its total power requirement is met through captive power generation, supporting the overall earnings of the company. SSMPL, on a consolidated basis, reported revenues of Rs. 599.3 crore in FY2026, representing a YoY decline of around 1.2% due to moderation in realisation. There had been steep fall in revenues in FY2025 due to closure of operations at one of its manufacturing facility (unit 4). Over the medium term, operational performance of SSMPL is likely to improve basis cost-control measures undertaken by the entity.

### Credit challenges

**Moderate profitability and weak coverage indicators owing to debt-funded acquisitions** – The spinning and knitting industries are highly fragmented with a significant share of the unorganised segment. As a result, it enjoys limited pricing power, which is likely to keep its profitability under check. SSMPL recorded a net loss of Rs. 38 crore in FY2026 owing to higher interest cost and sub-optimal investments in Unit 4. Due to debt-funded capex in the past, the Group reported weak coverage metrics with Total Debt/OPBDITA of 5.5 times and interest coverage of 1.3 times in FY2026. These debt-funded acquisitions and capacity additions, coupled with continued weak performance, led to an erosion of net worth and a weakened financial profile. In FY2026, despite weak earnings, the liquidity was supported by unsecured loans infused by the promoters and proceeds received from sale of old spindles in unit 4. ICRA notes that SSMPL plans to sell the factory land at unit 4 in FY2027, which is expected to support its liquidity and reduce bank borrowings. The sale was expected in FY2026 but got deferred due to operational reasons. The promoters had infused unsecured loans for Rs. 44.4 crore in FY2026 towards mitigating the cash flows. The extended credit received from its erstwhile Group entities had supported the entity's cash flows. The timely receipt of proceeds from the sale of property is likely to support its funding requirements and would remain a key rating monitorable.

**Working capital-intensive operations; susceptible to volatility in cotton and cotton yarn prices** – SSMPL operates in a highly competitive and commoditised spinning industry, characterised by minimal product differentiation and fragmentation, which restrict the pricing flexibility. In addition, the requirement to stock cotton during the harvest season makes operations working capital intensive and exposes profitability to fluctuations in cotton prices. Though this practice has moderated over the last two fiscals owing to high volatility in cotton prices, entities, including SSMPL, continue to stock certain quantity of cotton during the harvest season.

## Liquidity position: Adequate

SSMPL's liquidity position is expected to be Adequate, supported by healthy cash generated from operations. The average fund-based working capital utilisation over the last 12 months ending in March 2026 stood at 77% of its sanctioned limit of Rs. 105 crore (reduced from Rs. 135 crore in March 2025). During FY2026, the promoters have extended funding support by extending an unsecured loan for Rs. 44.4 crore, which has supported the liquidity despite the entity not generating adequate cash flows towards debt servicing in FY2026. The funding gaps in the past were met through need-based support from its promoters. The directors would be providing timely need-based support to the entity, if required. SSMPL has no major debt-funded capital expenditure plans and has debt repayment obligations of Rs. 31.5 crore in FY2027. SSMPL is planning to dispose of some land parcels in H1 FY2027, which is likely to support its liquidity and reduce bank borrowings. However, the timely receipt of proceeds from the sale of property would be a key rating monitorable.

## Rating sensitivities

**Positive factors –** The ratings could be upgraded if there is a healthy and sustained increase in profitability with an improvement in liquidity profile and debt protection metrics. Key credit metrics required for ratings upgrade include DSCR of more than 1.4 times, on a sustained basis.

**Negative factors** – The ratings could be downgraded if there is sustained pressure on the company's operating performance or a delay in monetising the proposed land sale, which would adversely impact the liquidity and debt protection metrics.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Textiles - Fabric<br>Textiles - Spinning |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | The ratings are based on SSMPL's consolidated financial statements and the list of the companies considered for consolidation have been mentioned in Annexure-III. |

## About the company

SSMPL was set up in 1980 and manufactures cotton yarn, knitted fabric and garments. The spinning division of SSMPL produces count ranging from 28s to 50s (with average counts of 30s+ being produced). A bulk portion of the yarn manufactured by the company finds its application in the knitting fabric segment. Following the business restructuring process within the SSM Group and the acquisition of a spinning unit in FY2023, the company has 1,36,000 spindles, 1,464 rotors, 200 knitting machines and windmills of 25.7-MW capacity.

Incorporated on June 16, 2022, Be One is a wholly-owned subsidiary of Sri Shanmugavel Mills Private Limited. The entity manufactures OE yarn and has a capacity of 3,912 rotors and commenced operations w.e.f. November 9, 2023.

### Key financial indicators (audited)

| | SSMPL Consolidated | | SSMPL Standalone | |
|---|---|---|---|---|
| | FY2025 | FY2026* | FY2025 | FY2026* |
| **Operating income** | 606.7 | 599.3 | 549.8 | 482.5 |
| **PAT** | -40.6 | -38.4 | -22.5 | -24.7 |
| **OPBDIT/OI** | 0.6% | 6.9% | 0.5% | 6.8% |
| **PAT/OI** | -6.7% | -6.4% | -4.1% | -5.1% |

| | | | | |
|---|---|---|---|---|
| **Total outside liabilities/Tangible net worth (times)** | 1.8 | 2.0 | 1.3 | 1.4 |
| **Total debt/OPBDIT (times)** | 80.5 | 5.5 | 76.4 | 5.4 |
| **Interest coverage (times)** | 0.1 | 1.3 | 0.1 | 1.4 |

*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

| Current rating (FY2027) | | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2026 | | FY2025 | | FY2024 | |
| Instrument | Type | Amount rated (Rs. crore) | Jun 18, 2026 | Date | Rating | Date | Rating | Date | Rating |
| **Term loans** | Long-term | 31.69 | [ICRA]BB (Stable) | May 13, 2025 | [ICRA]BB (Stable) | Apr 01, 2024 | [ICRA]BB (Stable) | Dec 14, 2023 | [ICRA]BB+ (Stable) ISSUER NOT COOPERATING |
| **Cash credit** | Long-term | 105.00 | [ICRA]BB (Stable) | May 13, 2025 | [ICRA]BB (Stable) | Apr 01, 2024 | [ICRA]BB (Stable) | Dec 14, 2023 | [ICRA]BB+ (Stable) ISSUER NOT COOPERATING |
| **Non-fund based** | Short-term | 30.00 | [ICRA]A4 | May 13, 2025 | [ICRA]A4 | Apr 01, 2024 | [ICRA]A4 | Dec 14, 2023 | [ICRA]A4+ ISSUER NOT COOPERATING |
| **Unallocated limits** | Long-term/ short-term | 0.00 | - | May 13, 2025 | [ICRA]BB (Stable)/ [ICRA]A4 | Apr 01, 2024 | [ICRA]BB (Stable)/ [ICRA]A4 | Dec 14, 2023 | [ICRA]BB+ (Stable)/ [ICRA]A4+ 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 the regulatory purview of various Financial Sector Regulators (FSRs), 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 the regulatory purview of various FSRs, as under:

| Sr. No. | Activity Name | FSR |
|---|---|---|
| 1 | Credit Ratings for Capital Protection Oriented Schemes (by Mutal 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 FSRs other than SEBI.

## Complexity level of the rated instrument

| Instrument | Complexity indicator |
|---|---|
| **Long-term – Fund Based - Term loans** | Simple |
| **Long-term - Fund-based - Cash credit** | Simple |
| **Short-term – Non-fund based limits** | Simple |

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** | FY2021 | NA | FY2028 | 31.69 | [ICRA]BB (Stable) |
| **NA** | **Cash credit** | NA | NA | NA | 105.00 | [ICRA]BB (Stable) |
| **NA** | **Letter of Credit** | NA | NA | NA | 30.00 | [ICRA]A4 |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure III: List of entities considered for consolidated analysis

| Company name | Ownership | Consolidation approach |
| --- | --- | --- |
| **Be One Textiles Private Limited** | 100.00% | Full consolidation |

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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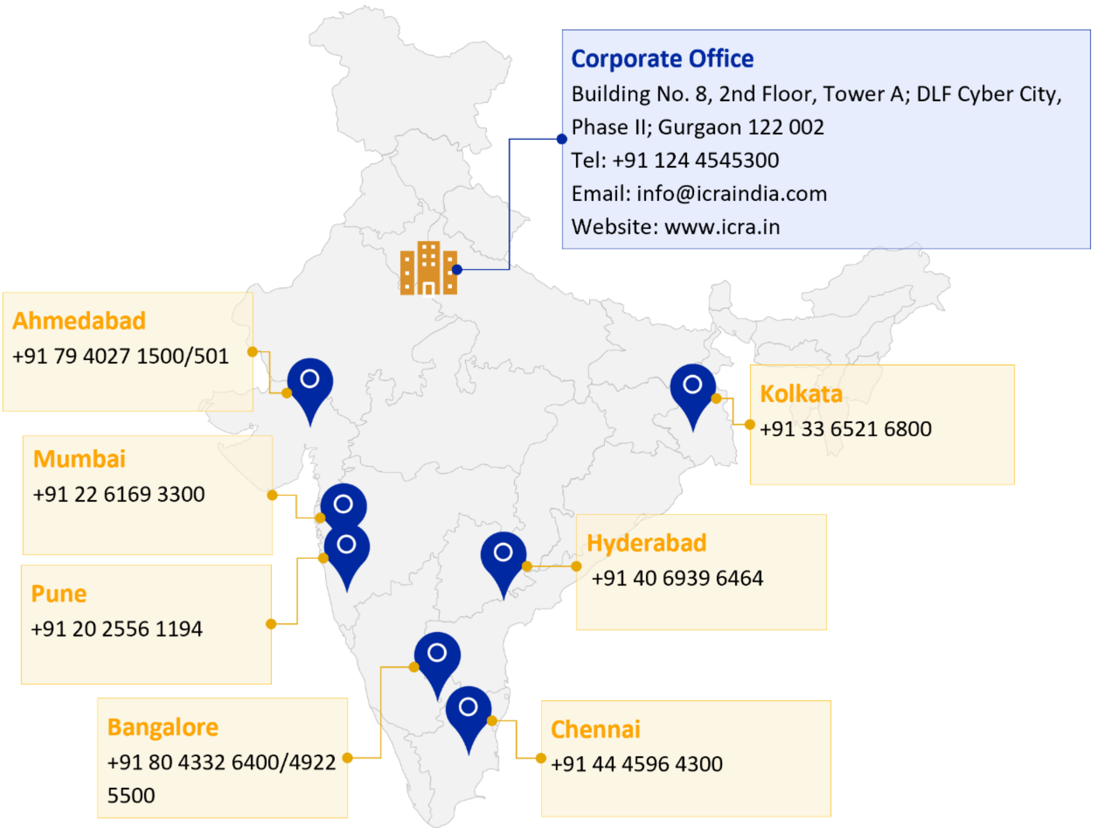




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