July 31, 2026

Subabhalaji Spinning Mills India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based – Term loans	62.13	55.15	[ICRA]BB- (Stable); reaffirmed	RBI
Long term – Fund based – Cash credit	20.00	20.00	[ICRA]BB- (Stable); reaffirmed	RBI
Long term/Short term – Unallocated limits	0.87	7.85	[ICRA]BB- (Stable)/ [ICRA]A4; reaffirmed	RBI
Total	**83.00**	**83.00**		

**Instrument details are provided in Annexure I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR will not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The ratings reaffirmation of Subabhalaji Spinning Mills India Private Limited (SSMIPL) factors in the sustained improvement in earnings, driven by stabilisation of the recently added spinning capacities and higher production volumes, supported by healthy demand for cotton yarn. SSMIPL's revenues grew by around 30.2% on a YoY basis in FY2026 (provisional) to Rs. 159 crore on the back of increased demand, while the increase in the raw material prices resulted in moderation in the operating profit margin (OPM) to 12.3% in FY2026 (provisional) from 13.5% in FY2025. SSMIPL's revenues are likely to grow at a moderate pace, going forward, with planned addition of spinning capacities in H2 FY2027 and expected further rise in production volumes. The ratings are further supported by its captive power generation capacities, which accounted for around 62% of its power requirements in FY2026, resulting in relatively better cost structure and higher profitability. The ratings further factor in the extensive experience of its promoters in the cotton yarn spinning industry, and its established presence in the Tamil Nadu yarn market.

The ratings, however, remain constrained by the company's moderate despite improving scale of operations. Besides, the debt-funded capacity expansions and the recent increase in working capital intensity resulted in moderate debt protection metrics, characterised by Total Debt/OPBDITA of 4.6 times and interest coverage of 2.5 times in FY2026. Also, the ratings remain constrained by the commoditised nature of the company's products and the fragmented industry structure, resulting in limited pricing power, which keeps SSMIPL's profitability under check. Further, the ratings factor in the high working capital intensity of SSMIPL's operations due to the seasonal nature of cotton availability, necessitating stocking during the harvest season, rendering the profitability vulnerable to fluctuations 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, supported by stabilisation of recent capacity additions. Further, the outlook underlines ICRA's expectation that the entity's incremental capex 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

Established presence in spinning industry with extensive experience of its promoters – SSMIPL has a long track record of operations, spanning over more than a decade in the spinning industry, with an established presence in manufacturing medium count yarns. The promoters have long relationships with various stakeholders across the value chain, aiding in repeat orders from key customers. The company's profitability remains supported by the captive power plants through which it is meeting around 65% of its power requirements.

Increasing revenue, led by steady demand from domestic market – SSMIPL had registered revenues of around Rs. 159 crore with a YoY growth of 30.2% in FY2026, which follows a 49.5% YoY growth in FY2025, supported by additional capacity of 10,944 spindles in H1 FY2025. Stabilisation of operations and additional capacities in FY2026 aided increase in volumes and revenues. Moreover, the operating margins are likely to be supported by better scale efficiencies and captive power sources.

Credit challenges

Modest but improving scale of operation and subdued debt protection metrics – SSMIPL's operating income increased to around Rs. 159 crore in FY2026, however, the scale of operations remains at a relatively lower level, thereby constraining its business profile. The company has incurred a debt-funded capex of around Rs. 66 crore over FY2024 and FY2025 towards addition of 10,944 spindles, which was funded through a term debt of Rs. 50.2 crore. Further, the company is planning to incur debt-funded capex of around Rs. 8 crore towards increase in spindle capacity in FY2027. Besides, increase in working capital intensity is resulting in moderate debt protection metrics. Although its revenues and earnings are likely to improve in the medium term, the coverage metrics are expected to remain modest due to sizeable debt repayment obligations.

Working capital intensive operations; susceptible to volatility in cotton and cotton yarn prices – Like other entities in the spinning sector, SSMIPL stocks cotton during the harvest season, which spans from October to March. This practice exposes the company to fluctuations in cotton availability and cotton yarn prices during the non-harvest period as the procurement cost for the company becomes fixed. This results in high reliance on working capital borrowings, which keep the leverage high, particularly during the year-end.

Commoditised nature of yarn and fragmented industry structure keep profitability under check – The spinning industry is highly fragmented, with a significant share of the unorganised segment. SSMIPL's product portfolio continues to be concentrated towards low-to-medium value-added yarns. As a result, it enjoys limited pricing power, which is likely to keep its profitability under check.

Liquidity position: Stretched

SSMIPL's liquidity position is expected to remain Stretched, given the limited buffer available in the working capital limits and sizeable debt repayment obligations in the near term. The average utilisation of its sanctioned working capital limits stood at 92.1% over the past 12 months ending in June 2026. The company is likely to generate cash accruals of Rs. 9-12 crore in FY2027 against repayment obligations of Rs. 9.6 crore. Going forward, its liquidity is expected to be supported by the recent sanction of the Emergency Credit Line Guarantee Scheme (ECLGS) working capital term loan.

Rating sensitivities

Positive factors – SSMIPL's ratings may be upgraded if there is a sustained growth in revenues and earnings along with an improvement in the working capital cycle, which in turn would lead to an improved debt protection metrics and liquidity position. A specific credit metric for ratings upgrade includes DSCR of more than 1.3 times on a sustained basis.

Negative factors – The ratings could be downgraded if there is sustained pressure on the company's revenues and earnings, adversely impacting its liquidity position and debt protection metrics.

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 financials of SSMIPL

About the company

Incorporated in 2010 by Mr. R. Subramaniam, Subabhalaji Spinning Mills India Private Limited (SSMIPL) is engaged in cotton yarn spinning, predominantly in the 40's count range (carded), which is used in the domestic home furnishing segment. SSMIPL operates two manufacturing units in the Erode district of Tamil Nadu, with a combined capacity of 30,864 spindles. The first unit, which began operations in 2010, has 19,920 spindles and manufactures carded yarn. In June 2024, SSMIPL established a second unit with 10,944 spindles for combed yarn production. The company is promoted by Mr. R. Subramaniam, who has extensive experience in the cotton spinning industry.

Key financial indicators (audited)

SSMIPL	FY2025	FY2026*
Operating income	122.1	159.0
PAT	2.0	2.9
OPBDIT/OI	13.5%	12.3%
PAT/OI	1.6%	1.8%
Total outside liabilities/Tangible net worth (times)	4.1	3.5
Total debt/OPBDIT (times)	5.1	4.6
Interest coverage (times)	2.3	2.5

*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; * Provisional numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instruments	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Jul 31, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loans	Long-term	55.15	[ICRA]BB- (Stable)	May 30 2025	[ICRA]BB- (Stable)	-	-	Mar 18, 2024	[ICRA]B+ (Stable)
Fund based – Cash credit	Long term	20.00	[ICRA]BB- (Stable)	May 30 2025	[ICRA]BB- (Stable)	-	-	Mar 18, 2024	[ICRA]B+ (Stable)
Unallocated limits	Long term/ Short term	7.85	[ICRA]BB- (Stable)/ [ICRA]A4	May 30 2025	[ICRA]BB- (Stable)/ [ICRA]A4	-	-	Mar 18, 2024	[ICRA]B+ (Stable)/ [ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Term loans	Simple
Long term – Fund based – Cash credit	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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
NA	**Long term – Fund based – Term loans**	FY2023-FY2025	NA	FY2026-FY2032	55.15	[ICRA]BB- (Stable)	RBI
NA	**Long term – Fund based – Cash credit**	NA	NA	NA	20.00	[ICRA]BB- (Stable)	RBI
NA	**Long term/Short term – Unallocated limits**	NA	NA	NA	7.85	[ICRA]BB- (Stable)/ [ICRA]A4	RBI

Source: Company

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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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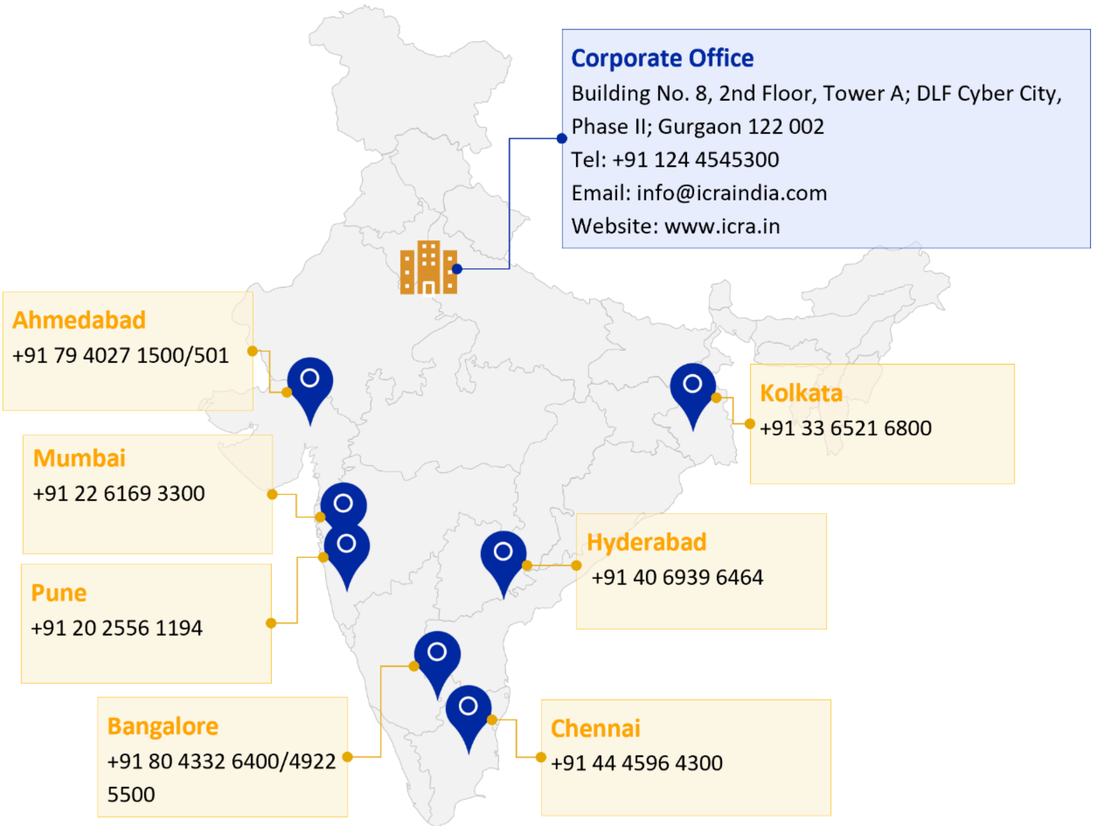

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