

September 29, 2026

## Deepak Spinners Limited: Ratings reaffirmed; outlook revised to stable

### Summary of rating action

| Instrument*                                                        | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action                                                                            | Financial sector regulator# |
|--------------------------------------------------------------------|-----------------------------------|----------------------------------|------------------------------------------------------------------------------------------|-----------------------------|
| Long-term - Fund Based – Cash Credit                               | 60.00                             | 60.00                            | [ICRA]A- (Stable); reaffirmed with change in outlook to Stable from Negative             | RBI                         |
| Short term - Fund Based – Export Packing Credit (Interchangeable)^ | (15.04)                           | (15.04)                          | [ICRA]A2+; Reaffirmed                                                                    | RBI                         |
| Short term - Fund Based – Bill Discounting (Interchangeable)^      | (15.04)                           | (15.04)                          | [ICRA]A2+; Reaffirmed                                                                    | RBI                         |
| Short term - Non-Fund Based – Letter of Credit                     | 2.00                              | -                                | -                                                                                        | RBI                         |
| Short term - Non-Fund Based – Capex Letter of Credit               | 10.00                             | -                                | -                                                                                        | RBI                         |
| Short term - Non-Fund Based – Credit Exposure Limit                | 1.00                              | 1.00                             | [ICRA]A2+; Reaffirmed                                                                    | RBI                         |
| Long-term - Non-Fund Based – Bank Guarantee                        | 3.00                              | 2.00                             | [ICRA]A- (Stable); reaffirmed with change in outlook to Stable from Negative             | RBI                         |
| Long-term/ Short-term - Unallocated limit                          | 16.10                             | 16.10                            | [ICRA]A- (Stable) / [ICRA]A2+; reaffirmed with change in outlook to Stable from Negative | RBI                         |
| <b>Total</b>                                                       | <b>92.10</b>                      | <b>79.10</b>                     |                                                                                          |                             |

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

#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 Financial Sector Regulators other than SEBI.

### Rationale

The revision in the outlook on the long-term rating of Deepak Spinners Limited (DSL), a manufacturer of synthetic yarns, to Stable from Negative factors in the company's sustained profitability over the past few quarters. ICRA expects its earnings profile and margins to remain healthy going forward, supported by the recovery in demand and realisations.

The ratings continue to consider DSL's long operational track record of nearly four decades in manufacturing of blended synthetic yarns and its established relationship with customers, which lead to repeat orders and mitigate counterparty risks. ICRA also notes DSL's efficient use of its assets, marked by its high capacity utilisation. ICRA further notes the company's cost optimisation initiatives, including expansion of the captive solar power capacity by 3 MW in Q1 FY2027, which are likely to support its cost structure going forward. The company's financial profile remains favourable, as reflected by its conservative capital structure and healthy debt coverage metrics. Despite the planned, partly debt-funded capex of Rs. 50-60 crore in FY2027-FY2028 for spindle capacity expansion, ICRA expects its gearing and coverage metrics to remain comfortable.

The ratings, however, are constrained by the fragmented structure of the spinning industry. This leads to competition among many organised and unorganised players, keeping margins under check. DSL's product-market diversity remains limited, given its presence mainly in the coarse-count yarns segment, a paucity of dyeing capacity and a modest share of export sales. This is notwithstanding the higher realisations fetched from exports of comparatively value-added products. Besides, the company's profitability and cash flows are likely to remain vulnerable to the cyclicity inherent in the textiles sector and to volatility in crude-oil linked raw material prices and realisations.

## Key rating drivers and their description

### Credit strengths

**Long operational track record in manufacturing of blended synthetic yarns** – The company's plant at Baddi, Himachal Pradesh, commenced operation in 1986. Subsequently, it set up another plant at Guna, Madhya Pradesh, in 1991 and gradually increased the capacities of both plants. Since the beginning, DSL has been involved in manufacturing of blended synthetic yarns. A long track record of operation and experience of the promoters in the industry mitigate DSL's business risks to an extent.

**Established relationship with customers** – DSL sells its products mainly through dealers and agents. In addition, it directly supplies yarns to a few large players in the apparel/fabric segments. The company's established relationship with its customers generates repeat orders and mitigates counterparty risks.

**High capacity utilisation, expansion of captive solar power capacity and other optimisation initiatives support cost structure** – The company's capacity utilisation had historically remained high, supporting its cost structure. It declined to 82% in FY2021 from 93% in FY2020 due to the pandemic. However, the same remained above 95% in the subsequent years and reached a peak of around 107% in FY2026. DSL commissioned a 4-MW captive solar power plant at its plant in Guna, Madhya Pradesh in June 2024, taking its solar power capacity to 8 MW. Further, the company recently commissioned a 3-MW rooftop solar power plant at its Baddi unit in June 2026. Along with power sourced from a 5-MW solar power plant of its Group company, Deepak Industries Limited (DIL), these renewable power arrangements support the company's cost structure. Currently, solar power meets around 27% of the Guna unit's power requirement and around 14% of DSL's overall power requirement. The company is also focusing on controlling overall costs, rationalising manpower, etc., which should continue to support its profit margins in future.

**Conservative capital structure** – The company's debt level has declined steadily, supported by the repayment of long-term loans and moderation in working capital borrowings. Its capital structure remained conservative, with gearing and TOL/TNW at 0.1 times and 0.4 times, respectively, as on March 31, 2026. Debt coverage metrics improved in FY2026, supported by the recovery in profitability and reduction in debt levels. The interest coverage ratio increased to 8.1 times from 1.5 times, and Total Debt/OPBDITA improved to 1.4 times from 6.3 times in FY2025. Although the proposed, partly debt-funded spindle expansion is expected to increase indebtedness, the company's capital structure is likely to remain comfortable.

### Credit challenges

**Highly fragmented and competitive nature of the industry** – The Indian spinning industry is highly fragmented, with the presence of many organised and unorganised players. Competition among the spinners keeps margins under check. Nevertheless, DSL's high capacity utilisation and captive renewable power sources positively impact its cost structure. These sources currently meet around 14% of the entity's power requirement at a low cost. Besides, the company's operational flexibility to supply customised products to its clients offers it a competitive advantage to an extent.

**Moderate product-market diversity** – DSL mainly manufactures coarse-count grey and dyed yarns of 8-30 counts. The product profile is largely commoditised despite the presence of some value-added and usage-specific products ('mélange', sewing threads, etc.). DSL has a dye house at its plant in Himachal Pradesh, but there is no dyeing facility at the Madhya Pradesh plant, which reduces the scope for value addition. The company fetches better realisations from export of comparatively value-added products. However, the contribution of exports to DSL's overall revenue remains low (7.3% in FY2026).

**Exposed to volatility in raw material prices and realisations along with cyclicity inherent in the industry** – The company's raw materials mainly comprise staple man-made fibres like polyester, viscose and acrylic, with polyester accounting for the major share (97% by volume in FY2026) of fibre consumption. Raw material prices and realisations remain correlated to crude oil prices and demand-supply dynamics, exhibiting significant volatility. Cyclical demand for synthetic yarns impacts the profitability and cash flows of all players in the sector, including DSL, as evidenced by its performance across industry cycles.

## Environment and Social Risks

**Environmental considerations:** Synthetic materials made from petrochemicals/ crude oil derivatives are not readily biodegradable, resulting in long-term environmental pollution. This may induce higher compliance costs for MMF spinners like DSL considering long-term environmental pollution implications. Besides, environmental risk for spinners arises from the use of water resources for cleaning and for other manufacturing processes like dyeing. DSL has a dyeing facility in one of its units. It complies with environmental regulations. However, the company would remain exposed to tightening environmental regulations related to breach of waste and pollution norms, which can lead to an increase in the operating costs and new equipment/ capacity installation costs.

**Social considerations:** The social risk for spinning companies emanates from high labour involvement despite increasing mechanisation. The sector is exposed to labour-relation risks and risks of protests/social issues with local communities, which might impact expansion/modernisation plans. Entities in the spinning sector are also vulnerable to disruptions arising from an inability to manage human capital properly in terms of safety and overall well-being. A shift in preference towards more environment-friendly alternatives could result in demand-related concerns for MMF spinners in the long term.

## Liquidity position: Adequate

DSL's liquidity is likely to remain adequate. Its cash flow from operations improved in FY2026 owing to higher earnings. DSL does not have any long-term debt repayment obligation at present, as it prepaid its term loans in FY2024. In the current fiscal, the company is likely to incur capex of more than Rs. 50 crore (includes rooftop solar plant already commissioned and the planned expansion of spindle capacity). This is to be partly funded through a term debt of more than Rs. 15 crore, with the balance met from internal accruals. Sufficient headroom in working capital limits, with an undrawn limit of around Rs. 42 crore as of July 2026, is likely to support DSL's liquidity.

## Rating sensitivities

**Positive Factors:** ICRA may upgrade DSL's ratings if its revenues and cash accruals improve significantly on a sustained basis.

**Negative Factors:** – ICRA may downgrade DSL's ratings if its profitability fails to recover meaningfully in the near term and/or its liquidity position worsens. The ratings may be downgraded if DSL's DSCR remains below 2 times on a sustained basis.

## Analytical approach

| Analytical approach             | Comments                                                                                       |
|---------------------------------|------------------------------------------------------------------------------------------------|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Textiles - Spinning</a>     |
| Parent/Group support            | Not applicable                                                                                 |
| Consolidation/Standalone        | For arriving at the ratings, ICRA has considered the standalone financials of the rated entity |

## About the company

Incorporated in 1982 by Mr. Pradip Kumar Daga, DSL 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 have around 41,000 and 54,000 spindles, respectively. 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 capacity of 8 MW, including an offsite plant of 1 MW. It also draws power from a 5-MW solar facility of its Group company, Deepak Industries Limited. DSL's equity shares are listed on BSE. Further, DSL commissioned a 3-MW rooftop solar power plant at its Baddi unit in June 2026. The promoter Group held around 46% of DSL's shares as on June 30, 2026.

## Key financial indicators

| DSL                                                  | FY2025 | FY2026 | Q1 FY2027* |
|------------------------------------------------------|--------|--------|------------|
| Operating income                                     | 524.9  | 535.9  | 136.8      |
| PAT                                                  | -10.2  | 3.6    | 3.1        |
| OPBDIT/OI                                            | 1.1%   | 4.1%   | 4.6%       |
| PAT/OI                                               | -1.9%  | 0.7%   | 2.3%       |
| Total outside liabilities/Tangible net worth (times) | 0.5    | 0.4    | -          |
| Total debt/OPBDIT (times)                            | 6.3    | 1.4    | -          |
| Interest coverage (times)                            | 1.5    | 8.1    | 10.0       |

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

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

| Instrument                                            | Current ratings (FY2027) |                          |                              | Chronology of rating history for the past 3 years |                                |             |                                |             |                              |
|-------------------------------------------------------|--------------------------|--------------------------|------------------------------|---------------------------------------------------|--------------------------------|-------------|--------------------------------|-------------|------------------------------|
|                                                       | Type                     | Amount rated (Rs. crore) | Sep 29, 2026                 | FY2026                                            |                                | FY2025      |                                | FY2024      |                              |
|                                                       |                          |                          |                              | Date                                              | Rating                         | Date        | Rating                         | Date        | Rating                       |
| Fund Based – Cash Credit                              | Long term                | 60.00                    | [ICRA]A- (Stable)            | 02-Jun-2025                                       | [ICRA]A- (Negative)            | 23-Aug-2024 | [ICRA]A- (Negative)            | 31-May-2023 | [ICRA]A- (Stable)            |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A- (Negative)            | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A- (Negative)            | -           | -                              | -           | -                            |
| Non-Fund Based – Bank Guarantee                       | Long term                | 2.00                     | [ICRA]A- (Stable)            | 02-Jun-2025                                       | [ICRA]A- (Negative)            | 23-Aug-2024 | [ICRA]A- (Negative)            | 31-May-2023 | [ICRA]A- (Stable)            |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A- (Negative)            | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A- (Negative)            | -           | -                              | -           | -                            |
| Fund Based – Export Packing Credit (Interchangeable)* | Short Term               | (15.04)                  | [ICRA]A2+                    | 02-Jun-2025                                       | [ICRA]A2+                      | 23-Aug-2024 | [ICRA]A2+                      | 31-May-2023 | [ICRA]A2+                    |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
| Fund Based – Bill Discounting (Interchangeable)*      | Short Term               | (15.04)                  | [ICRA]A2+                    | 02-Jun-2025                                       | [ICRA]A2+                      | 23-Aug-2024 | [ICRA]A2+                      | 31-May-2023 | [ICRA]A2+                    |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
| Non-Fund Based – Letter of Credit                     | Short Term               | -                        | -                            | 02-Jun-2025                                       | [ICRA]A2+                      | 23-Aug-2024 | [ICRA]A2+                      | 31-May-2023 | [ICRA]A2+                    |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
| Non-Fund Based – Capex Letter of Credit               | Short Term               | -                        | -                            | 02-Jun-2025                                       | [ICRA]A2+                      | 23-Aug-2024 | [ICRA]A2+                      | 31-May-2023 | [ICRA]A2+                    |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
| Non-Fund Based – Credit Exposure Limit                | Short term               | 1.00                     | [ICRA]A2+                    | 02-Jun-2025                                       | [ICRA]A2+                      | 23-Aug-2024 | [ICRA]A2+                      | 31-May-2023 | [ICRA]A2+                    |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
|                                                       |                          |                          |                              | 23-Sep-2025                                       | [ICRA]A2+                      | -           | -                              | -           | -                            |
| Unallocated limit                                     | Long term/ Short term    | 16.10                    | [ICRA]A- (Stable)/ [ICRA]A2+ | 02-Jun-2025                                       | [ICRA]A- (Negative)/ [ICRA]A2+ | 23-Aug-2024 | [ICRA]A- (Negative)/ [ICRA]A2+ | 31-May-2023 | [ICRA]A- (Stable)/ [ICRA]A2+ |
|                                                       |                          |                          |                              | 30-Jul-2025                                       | [ICRA]A- (Negative)/ [ICRA]A2+ | -           | -                              | -           | -                            |

|                               |            |   |   |             |                              |   |   |             |                  |
|-------------------------------|------------|---|---|-------------|------------------------------|---|---|-------------|------------------|
|                               |            |   |   | 23-Sep-2025 | [ICRA]A-(Negative)/[ICRA]A2+ | - | - | -           | -                |
| <b>Term Loan</b>              | Long term  | - | - | -           | -                            | - | - | 31-May-2023 | [ICRA]A-(Stable) |
| <b>Standby Line of Credit</b> | Short term | - | - | -           | -                            | - | - | 31-May-2023 | [ICRA]A2+        |

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

## Complexity level of the rated instruments

| Instrument                                                         | Complexity indicator |
|--------------------------------------------------------------------|----------------------|
| Long-term - Fund Based – Cash Credit                               | Simple               |
| Short term - Fund Based – Export Packing Credit (Interchangeable)^ | Simple               |
| Short term - Fund Based – Bill Discounting (Interchangeable)^      | Simple               |
| Short term - Non-Fund Based – Credit Exposure Limit                | Simple               |
| Long-term - Non-Fund Based – Bank Guarantee                        | 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      | Financial sector regulator <sup>#</sup> |
|------|-------------------------------------------------------|------------------|-------------|----------|--------------------------|---------------------------------|-----------------------------------------|
| NA   | Fund Based – Cash Credit                              | NA               | NA          | NA       | 60.00                    | [ICRA]A- (Stable)               | RBI                                     |
| NA   | Non-Fund Based – Bank Guarantee                       | NA               | NA          | NA       | 2.00                     | [ICRA]A- (Stable)               | RBI                                     |
| NA   | Fund Based – Export Packing Credit (Interchangeable)* | NA               | NA          | NA       | (15.04)                  | [ICRA]A2+                       | RBI                                     |
| NA   | Fund Based – Bill Discounting (Interchangeable)*      | NA               | NA          | NA       | (15.04)                  | [ICRA]A2+                       | RBI                                     |
| NA   | Non-Fund Based – Credit Exposure Limit                | NA               | NA          | NA       | 1.00                     | [ICRA]A2+                       | RBI                                     |
| NA   | Unallocated limit                                     | NA               | NA          | NA       | 16.10                    | [ICRA]A- (Stable)/<br>[ICRA]A2+ | RBI                                     |

Source: Company; \*Within the overall fund-based working capital limit

<sup>#</sup>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 Financial Sector Regulators other than SEBI.

[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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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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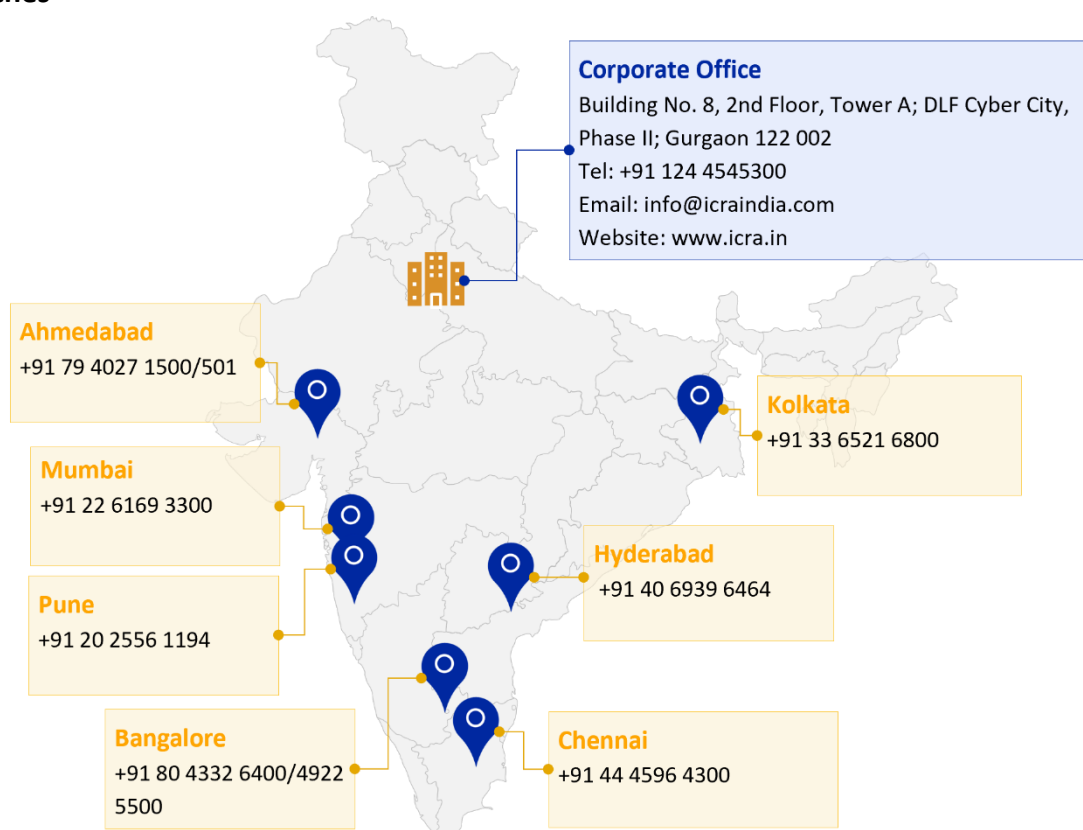
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### Branches



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