

S.N.N. Tulasi Narayana Spinners Private Limited

January 21, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	80.00 (Enhanced from 73.00)	CARE BB+; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of S.N.N. Tulasi Narayana Spinners Private Limited (STNSPL) continue to be constrained by moderate scale of operations, leveraged capital structure, presence in highly competitive and fragmented industry and profitability margins exposed to volatility in raw material prices. However, the rating derives strength from vast experience of the promoters and track record of operations of the group in spinning business, comfortable profitability margins and captive consumption of power.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent growth in scale of operations resulting in total operating income above Rs.150 crores with PBILDT margin above 15% on sustained basis.
- Improvement in Total debt/ GCA below 3.5x on sustained basis.

Negative factors

- Decline in income below Rs.100 crore on sustained basis due to slowdown in demand.
- Any further large debt funded capex, or withdrawal of quasi capital, leading to moderation in capital structure with overall gearing above 3x.

Analytical approach: Combined

CARE Ratings Limited (CARE) has taken combined view of S.N.N. Textiles Private Limited (STPL) and S.N.N. Tulasi Narayana Spinners Private Limited (STNSPL), together referred to as S.N.N group since both the companies belongs to common promoter family and engaged in similar line of business having operational and financial fungibility.

Outlook: Stable

The stable outlook reflects that the group is expected to sustain the growth in income backed by contribution from recently added capacities and benefits derived from captive consumption of power.

Detailed description of key rating drivers

Key weaknesses

Moderate scale of operations

The scale of operations of S.N.N. group remained moderate, albeit improved from Rs.37.64 crore in FY21 to Rs.122.16 crore in FY24 (refers to the period April 01 to March 31) with CAGR of 48.06% for past four years ended FY24. The group has booked revenue of Rs.117.30 crore for 9MFY25 (refers to the period April 01 to December 31).

Leveraged capital structure

The capital structure of the group remains moderate, with overall gearing of 2.45x as on March 31, 2024 as against 4x as on March 31, 2022 since the group has availed term loans in the past three years for capacity expansion and installation of solar. The promoters has regularly infused unsecured loans in the past out of which Rs.12.35 crores (PY: 6.98 crores) as on March 31, 2024 as been subordinated towards bank borrowings. The Group is also undergoing capex towards installation of 4MW of solar plant with a project cost of Rs.24 crores funded by term loan of Rs.20 crores and rest by accruals and promoter contribution which is expected to be completed by the end of FY25. At present, the company indicated that term loan is expected to be drawn in January 2025 and the project will be completed in 3 months.

Presence in highly competitive and fragmented industry

The company operates in a highly competitive and fragmented market which consists of large and small and large sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and may lead to adopt liberal credit policies in the market.

Profitability margins exposed to volatility in raw material prices

Cotton, the key raw material, exhibited high price volatility in the past, which impacts the company's profitability. Prices of cotton and yarn are governed by factors such as area under cultivation, monsoon, export quota by Government and international demand-supply situation, among others. After recording a peak of ~₹1 lakh per candy (₹280/kg) in FY23, domestic cotton prices were corrected with arrival of the new crop.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Vast experience of the promoters and track record of operations

The group consists of closely held companies, established by S.N. Narayanasamy, the first-generation entrepreneur who has more than two decades of experience in the textile sector. The group is now managed by his sons, S.N. Nithyanandhan (MBA, with experience of nearly 2 decades), and Mr. Swaminathan with experience of nearly a decade. The grandsons of S.N. Narayanasamy, Mr. S. Manoj (B.Tech) and S.N. Nikhil Narayana (M.B.A), were also into the business for managing day-to-day activities. The group's long presence in the industry has helped it establish strong relationships with suppliers and customers.

Comfortable profitability margins

The profitability of the group remained healthy with profit before interest, lease, depreciation and tax (PBILDT) margin of 19.42% in FY24, which has improved from 17.76% in FY22 due to the compact finer count premium yarns produced by the group. The group manufactures yarn counts of 60s, 61s and 69s, which would yield better margins.

Captive consumption of power

The group has 6MW of solar power and 600 kW of wind power which meets around 50-60% of power costs. In addition, the group is also adding another 4MW solar power plant, which is expected to commence operations from March 2025. Putting together, nearly 80% of its power requirements will be met through captive consumption.

Liquidity: Stretched

The group's liquidity position is stretched, marked by accruals of Rs.16.41 crore in FY24 against repayment obligations of Rs.14.52 crore in FY25 and a below unity current ratio of 0.99x and below unity quick ratio of 0.38x for FY24. Cash and bank balance also stood low at Rs. 1.45 crore as on March 31, 2024. The average working capital utilization of STNSPL stood at around 76% for the past 12 months ended November 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

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[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

STPL was incorporated in 2013 as a spinning mill with 9,600 spindles which has expanded to 18,480 spindles with its manufacturing facility located at Annur in Tamil Nadu. The company manufactures 100% cotton combed compact yarns in the finer count of 60s.

In 2020, a modernized spinning unit, STNSPL was established at Annur, Tamil Nadu with 27,360 spindles for producing 100% cotton combed compact finer count yarns of 61s and 69s.

Brief Financials (₹ crore) – Standalone (STNSPL)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	21.71	69.17	80.30
PBILDT	4.62	14.94	NA
PAT	-3.61	1.42	NA
Overall gearing (times)	7.40	3.79	NA
Interest coverage (times)	1.88	2.78	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results.

Brief Financials (₹ crore) – Combined	March 31, 2023 (UA)	March 31, 2024 (UA)	December 31, 2024 (UA)
Total operating income	75.60	122.16	117.30
PBILDT	13.85	23.72	NA
PAT	-0.12	4.96	NA
Overall gearing (times)	3.52	2.45	NA
Interest coverage (times)	2.79	3.16	NA

UA: Unaudited; NA: Not Available; Note: these are latest available financial results.

Status of non-cooperation with previous CRA:

ICRA has conducted its review based on the best available information and has classified STNSPL as 'Not cooperating' vide its press release dated December 11, 2023. The reason provided by ICRA is non-payment of surveillance fee and non-furnishing of information for monitoring of rating.

CRISIL has conducted its review based on the best available information and has classified STNSPL as 'Not cooperating' vide its press release dated January 07, 2025. The reason provided by CRISIL is non-submission of No Default Statements (NDS) for the last three months.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.44	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	July 2034	64.56	CARE BB+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	64.56	CARE BB+; Stable	1)CARE BB+; Stable (26-Dec-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	15.44	CARE BB+; Stable	1)CARE BB+; Stable (26-Dec-24)	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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