

Sri Vishnu Shankar Mill Limited

May 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	232.25	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	201.50	CARE BBB-; Stable / CARE A3	Assigned
Short Term Bank Facilities	6.25	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Sri Vishnu Shankar Mill Limited (SVSML) derive strength from its promoters' extensive experience in textile industry and it being a part of Ramco group, long and established position in the domestic and presence of captive renewable power plants. Ratings also factor operational synergies among the textile companies of the Ramco group having centralised procurement, marketing and quality control functions. Ratings also draw comfort from the management's stated articulation of support to SVSML in case of exigencies from the group and/or promoters. Ratings also factor equity investments in listed group companies, such as, The Ramco Cements Limited (TRCL) and Rajapalayam Mills Limited (RML).

However, ratings strengths are tempered by weak operating profitability over past two years ended FY25 (FY refers to April 01 to March 31) despite some improvement in FY25. Operating profitability is expected to recover from FY26 onwards with expected improvement in exports demand and other cost efficiency measures undertaken by the company. Ratings are also constrained due to SVSML's declining net worth considering continuous losses, leveraged capital structure and weak debt coverage indicators, working capital intensive operations, susceptibility of operating profitability to raw material price volatility, and foreign exchange rate fluctuations and its presence in the inherently cyclical, fragmented, and competitive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 10% on a sustained basis.
- Significant improvement in PBIDLT and cash accruals leading to improvement in debt coverage indicators.

Negative factors

- Lower-than-envisioned improvement in operational and financial performance.
- Significant increase in debt level due to debt-funded capex plan or elongation in working capital cycle.
- Increase in encumbrance levels on its investments in listed group entities crossing over 75% of the current holding levels by way of pledge or non-disposal undertaking.
- Deterioration in overall credit profile of major companies of Ramco group.

Analytical approach: Standalone along with factoring linkages with the Ramco Group having common promoter group and cross shareholding between the group companies. Ramco group consists of the eight companies, SVSML, TRCL, Ramco Industries Limited (RIL), Ramco Systems Limited (RSL), RML (rated 'CARE A; Stable/ CARE A2+'), The Ramaraju Surgical Cotton Mills Limited, Rajapalayam Textile Limited (rated 'CARE BBB-; Stable/ CARE A3'), and Sandhya Spinning Mill Limited (rated 'CARE BB+; Stable/ CARE A4+'). TRCL has strongest credit profile in the group. Being a part of textile division of the group, SVSML, is expected to receive need-based support from RAMCO group. There are operational synergies among textile companies of the group.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes SVSML's operating profitability to improve significantly from FY26 onwards leading to gradual improvement its financial risk profile in the medium term. Moreover, SVSML shall continue to benefit from promoters' extensive experience and it being a part of Ramco group.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters and clear articulation of support from group and/ or promoters

Over the years, Ramco group grew multi-fold with interests spanning across textiles, cement, building materials to software solutions. Presently, P.R. Venketrama Raja is the Chairman of Ramco Group. Under textile division, Ramco group has total installed capacity of 424,336 spindles, 7,852 rotors, 77.30 MW of windmills, and arrangement for 45.15 MW of solar power as on March

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

31, 2025. Apart from common promoter group, group's textile companies derive operational synergies from centralised procurement, marketing and quality control functions. The group has demonstrated track record in providing technical, managerial and financial support to its group entities in case of exigencies. Ramco group has ensured zero default in all its companies over the past 89 years. As informed by the group Chairman, the group shall continue to ensure timely debt servicing and in case of exigencies, there will be support from promoters and/or group companies in the timely manner.

Long and established market position in domestic and exports textile market with reputed clientele

Operating since 1981, SVSML has a track record of over six decades in the cyclical textile industry. SVSML enjoys a good relationship with its existing customers due to long and established track record in the industry. SVSML has geographically diversified revenue profile with exports accounting for 30-35% of its revenue. Its customer base is moderately diversified with top 10 customers accounting for 44% of its total sales in FY24.

Moderation in profitability margins over past two years ended FY24, which recovered in FY25

SVSML's performance was strong in FY22 backed by high demand and cotton yarn spread, but moderated in FY23 and FY24, leading to lower cotton yarn spreads. With reduced spreads and increased operating expenses, it incurred losses. The company has entered into group captive solar power arrangement of 6-MW in FY24, increasing share of captive power to ~80% from ~50%. Cost savings from use of power generated through captive arrangements resulted into savings in power cost, thereby supporting the profitability of the company. Further, SVSML is planning to invest additional ~₹0.40 crore in solar power by end of June 2025, which has payback period of less than one year.

In FY25, SVSML's PBILDT margin improved to 3.82% (FY24: -0.38%) due to increased cotton yarn spread, stabilised raw material prices, and recovery in global demand for textiles. PBILDT margin is expected to significantly improve and remain in range of 9-11% in medium term backed by expected increase in share of value-added products, receipt of Government subsidies and other cost efficiency measures undertaken by the management to reduce wastage in spinning process and savings in power and employee costs.

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2025, SVSML's capital structure marked by overall gearing stood at 13.55x (PY: 8.50x). Moderation in capital structure was mainly due to losses in past three years ended FY25 leading to decline in net worth to ₹19 crore as on March 31, 2025 in FY25 (PY: ₹31 crore), while total debt stood largely stable. Despite expected improvement in operating profitability, interest coverage is expected to remain below 2x and total debt/PBILDT is expected to remain above 8x in near-to-medium term.

Susceptibility to volatility in raw material prices and foreign exchange fluctuations

SVSML's basic raw material is raw cotton, which accounts for nearly 60-65% of the total cost of production. Raw material prices have been volatile over the last couple of years, which translates into risk of inventory losses for the industry players; though at times it also leads to inventory gains.

SVSML also exposed to foreign exchange fluctuations, as it derives ~30-35% of its revenue from the export market, while it imports ~60-70% of its raw material requirements. Thus, SVSML's profitability margins remain susceptible to adverse movement in the foreign currency. However, as informed by the management, SVSML hedges its foreign currency exposure through largely forward contract, mitigating the forex exposure to an extent.

Presence in cyclical, competitive and fragmented textile industry

The Indian textile industry is inherently cyclical in nature. Any adverse changes in global economic outlook and demand-supply scenario in the domestic market directly impacts domestic textile industry. Textile industry as a whole, remains vulnerable to factors such as input price fluctuations, mobilisation of adequate workforce, and changes in government policies for overall development of the textile industry. Its highly fragmented structure results in high level of competition and intense pricing pressures. Operating margin is also susceptible to uncertainty associated with the US tariff. Though reciprocal tariff on India was lower than competing countries, trade agreement with the US by India and competing countries during a 90-day pause and resultant tariff would be monitorable.

Liquidity: Stretched

SVSML's average working capital utilisation stood high at 90% for the past 12 months ended March 2025. The current ratio continues to remain below unity. SVSML's operating cycle stood elongated at 175 days in FY24 largely due to high inventory holding period. However, operating cycle improved to 116 days in FY25 backed by improvement in the inventory holding period to 76 days (FY: 139 days).

SVSML has annual debt repayment obligations of ~₹40-60 crore for FY26 and FY27. SVSML's cash accruals are expected to remain lower to meet debt servicing in medium term necessitating refinancing. Timely refinancing for debt repayments shall remain a

key monitorable. SVSML is also expected to monetise ₹14-15 crore from non-core assets in FY26, which shall aid in debt servicing. SVSML derives financial flexibility being part of Ramco group and has a track record of refinancing for meeting its debt repayment obligations. Management is in talks with the promoter to raise equity by December 2025. Timing and quantum of equity would be based on operating performance, receipt of subsidy and monetisation of non-core assets. SVSML also has equity investments in listed group companies. The unencumbered market value of these quoted investments stood at ~₹145 crore as on March 31, 2025 (total market value of ~₹310 crore). In case of exigencies, SVSML has the option to sell part of these investments.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

Incorporated in 1981, SVSML is a part of Ramco group, founded by P.A.C. Ramasamy Raja. SVSML is promoted by Shri P.R. Venketrama Raja and Sharada Deepa (daughter of Mr PR Ramasubramaneya Rajha). SVSML manufactures cotton yarn of counts ranging from 80s to 140s. The company started its commercial production in 1983 with ~7,000 spindles and currently has an installed capacity of 81,196 spindles and 1,008 rotors as on March 31, 2025, across its two facilities in Rajapalayam, Tamil Nadu. It also has windmills with installed capacity of 13.35 MW and group captive solar power arrangement for 6 MW.

Brief Financials (₹ crore)	FY24 (A)	FY25 (UA)
Total operating income	252	284
PBILDT	-1	11
PAT	-26	-19
Overall gearing (times)	8.50	13.55
Interest coverage (times)	-0.04	0.48

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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-Term Loan	-	-	-	17-02-2032	127.70	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	31-03-2033	104.55	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	15.00	CARE BBB-; Stable / CARE A3
Fund-based/Non-fund-based-LT/ST	-	-	-	-	186.50	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-BG/LC		-	-	-	6.25	CARE A3

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 2025-2026	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
1	Non-fund-based - ST-BG/LC	ST	6.25	CARE A3	-	-	-	-
2	Fund-based - LT-Working capital Term Loan	LT	104.55	CARE BBB-; Stable	-	-	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ ST	15.00	CARE BBB-; Stable / CARE A3	-	-	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ ST	186.50	CARE BBB-; Stable / CARE A3	-	-	-	-
5	Fund-based - LT-Term Loan	LT	127.70	CARE BBB-; Stable	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - ST-BG/LC	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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