

## Sivaguru Spinning Mills Private Limited

May 05, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	43.62	CARE BB; Stable	Assigned
Short Term Bank Facilities	7.00	CARE A4	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Sivaguru Spinning Mills Private Limited (SSMPL) are constrained by the company's leveraged capital structure, presence in highly competitive and fragmented industry, moderate scale of operations and profitability margins exposed to volatility in raw material prices. However, the ratings derive strength from the extensive experience of the promoters in the textile industry and comfortable profitability margins.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Generate adequate accruals and improve debt coverage metrics with total debt/ GCA below 7x
- Improvement in operating cycle below 120 days on consistent basis.

#### Negative factors

- Decline in income below Rs.75 crore on sustained basis due to slowdown in demand.
- Any further debt funded capex, leading to moderation in capital structure with overall gearing above 4.5x

### Analytical approach:

Standalone

### Outlook: Stable

The stable outlook reflects that the company is expected to sustain the growth in income supported by contribution from newly added garment division and continue to benefit from expertise of its promoters.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Moderate scale of operations

The scale of operations remains moderate, with total operating income of Rs.105.17 crore in FY25, albeit improved from Rs.60.7 crore in FY21 with CAGR of 14.73% for 4 years ended FY25. The company has booked income of Rs.74.27 crore for 9MFY25 (refers to the period April 01 to December 31), of which 89% is contributed from domestic sale of yarn and rest from export of garments. The company began its exports in FY25.

#### Leveraged capital structure

The capital structure remained moderate with overall gearing of 3.99x as on March 31, 2024 as against gearing of 3.74x as on March 31, 2023 due to lower networth base and higher reliance on working capital borrowings. The promoters have infused capital of Rs. 2.5 crore during 9MFY25, hence the gearing improved marginally to 3.18x as on December 31, 2024. The debt coverage also stood moderate with Total debt/ GCA of 11.99x as on December 31, 2024 as against 10.96x as on March 31, 2024.

#### Presence in highly competitive and fragmented industry

The company operates in a highly competitive and fragmented market which consists of 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.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Profitability margins exposed to volatility in raw material prices

Although recycled yarn finds a wide range of applications, lower productivity of natural fibers increase the prices of raw material, which acts as a restraint for the growth of recycle yarn market. Due to the lower productivity, the cost of natural fibers increases which in turn hampers the growth of recycle yarn market. Additionally, lack of awareness of reusing the waste as people throw away their used clothing also restraint the growth of market.

### Key strengths

#### Extensive experience of the promoters in the textile industry

SSMPL is promoted by Mr. G. Sivakumar, having around 25 years of experience in the textile industry. He is designated as Managing Director of the company, holding Bachelor's degree in Commerce. He oversees overall operations of the company. His wife Mrs. Sharmila Sivakumar is also a B.Com., graduate, has about two decades of experience in textile industry, who looks after human resource operations.

#### Comfortable profitability margins

The PBILDT margin improved from 4.07% in FY21 to 9.15% in FY24 due to the lower raw material costs associated with manufacturing of recycled yarn and modernization measures taken in the past. It further improved and stood comfortable at 9.44% in 9MFY25 and remained at 9.32% for FY25 (Prov).

#### Liquidity: Stretched

The liquidity position of SSMPL is stretched, marked by tightly matched accruals against repayment obligations. The current ratio of the company stood at 1.26x and below unity quick ratio of 0.83x as on March 31, 2024. The collection period elongated from 66 days in FY23 to 98 days in 9mFY25 due to the slowdown in demand in the textile sector over the past two years. The cash and bank balance stood also stood moderate at Rs.0.97 crore as on December 31, 2024. The average working capital utilization stood at 86.84% for the last twelve months ended March 2025.

#### 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](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Manmade Yarn-Methodology](#)

### About the company and industry

#### Industry classification

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

SSMPL, a Coimbatore based company was incorporated in 2009. The company was initially engaged in manufacture of cotton yarn with production capacity of 3 tonnes per day. From the year 2014, the company started manufacturing recycled yarns like recycled knitting yarns, recycled weaving yarns, weft yarns, 100% cotton (recycled) yarns, blended yarns, melange yarn, viscose cotton from the fabric cut wastes. As on February 28, 2025, the company has installed capacity of 2,240 rotors to produce 5,760 MTPA. It also has 200 sewing machines to produce 12,000 pieces per day.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Prov)
Total operating income	92.54	100.70	105.17
PBILDT	7.63	9.22	9.80
PAT	1.23	1.34	NA

Overall gearing (times)	3.74	3.99	NA
Interest coverage (times)	2.05	2.23	2.14

A: Audited; Prov: Provisional; NA: Not Available; Note: these are latest available financial results

#### Status of non-cooperation with previous CRA:

India Ratings has conducted its review based on the best available information and has classified SSMPL as 'Not cooperating' vide its press release dated January 17, 2025. The reason provided by India Ratings is non-furnishing of information for monitoring of rating.

Infomerics has conducted its review based on the best available information and has classified SSMPL as 'Not cooperating' vide its press release dated February 12, 2025. The reason provided by Infomerics is non-furnishing of information for monitoring of rating.

#### 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-Cash Credit		-	-	-	35.50	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	July 2032	8.12	CARE BB; Stable
Fund-based - ST-EPC/PSC		-	-	-	6.00	CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A4

**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	Fund-based - LT-Term Loan	LT	8.12	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	35.50	CARE BB; Stable				
3	Fund-based - ST-EPC/PSC	ST	6.00	CARE A4				
4	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4				

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - ST-Bank Guarantee	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](mailto:care@careedge.in) for clarifications.

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