

## The Lakshmi Mills Company Limited

August 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	115.02 (Reduced from 133.00)	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	22.87	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of The Lakshmi Mills Company Limited (LMC) continue to derive strength from promoters' vast experience in the textile industry, comfortable capital structure, presence of liquid investments and lease rental income from the land bank, and long track record of operations in the textile industry.

However, ratings are constrained by profit margins exposed to raw material price volatility, as evidenced by net losses reported in the last two years and working capital intensive operations.

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

#### Positive factors

- Ability to scale up operations to above ₹300 crore, while maintaining a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 12% on a consistent basis.
- Improving debt coverage metrics with total debt to gross cash accruals (TD/GCA) below 4x.

#### Negative factors

- Large debt-funded capex, leading to an overall gearing above 1x.
- Drop-in occupancy or rentals on the leased properties.
- Moderation in debt coverage indicators with TD/GCA beyond 10x on sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects that the company is expected to continue to derive benefits from the diversified revenue stream with regular rental income, and operational efficiencies from the recently tied up group captive power purchase agreements (PPAs).

### Detailed description of key rating drivers:

#### Key strengths

##### Long track record of operations of company and experienced promoters

LMC was established in 1910 by G Kuppuswamy Naidu, a first-generation entrepreneur. 'Lakshmi Mills' is a renowned brand in the textile industry in south India. Pathy, Chairman & Managing Director, LMC, is a commerce graduate, having over four decades of experience in the textile industry. Day-to-day activities are managed by his son, Aditya Pathy, a Business Management graduate, and Deputy Managing Director, LMC.

##### Diversified product profile and reputed customer base

LMC's product profile includes 100% cotton, polyester and cotton blends, CVC blends, 100% micro tencel, 100% lenzing modal, modal and cotton blends, and x-static and cotton blends in count ranges from 40s to 120s. LMC enjoys a well-established network of its own sales office, agents and distributors in the domestic market, mainly in Gujarat and Maharashtra, attributable to the group's long-standing presence in the textiles business. In FY25, top 10 customers accounted for 32.74% (PY: 51.46%) of the total sales.

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

### Comfortable capital structure

The company's capital structure stood comfortable, with an overall gearing of 0.16x as on March 31, 2025, against 0.17x as on March 31, 2024. In June 2025, LMC had sold ~35000 shares of Lakshmi Machine Works Limited generating proceeds of ₹57.83 crore. A portion of these funds has been utilised to reduce working capital borrowings, while the remainder have been earmarked for future development of lease rental properties. CARE Ratings Limited (CareEdge Ratings) expects the capital structure to remain comfortable in the medium term with no large debt-funded capex plans.

### Presence of liquid investments and rental income supporting the financial risk profile

LMC holds 4.85 lakh shares (4.54% of the total shareholding) of LMW and its market value amounts to ₹755.24 crore (market price of share: ₹15,350 as on August 07, 2025). The company has leased out free space in the factory premises at Coimbatore city to Lulu Hypermarket, Pricol, Westside, ITC, and Adidas, among others, for 2.49 lakh sq ft, with a lease contract of 3-15 years, renewable on expiry. In FY25, LMC received rental income of ₹23.03 crore, which increased from ₹16.48 crore in FY24 with addition of more tenants.

### Key weaknesses

#### Moderate profitability with net losses and moderate debt protection metrics

The company continued to report net losses of ₹4.68 crore in FY25 due to the moderate financial performance of the spinning division amidst slowdown in demand. However, net losses reduced from ₹13.79 crore in FY24 due to cost savings from captive power and incremental contribution from rental segment. The PBILDT margin though remained moderate improved from 0.44% in FY24 to 8.30% in FY25. Debt protection metrics stood moderate with TD/GCA of 13.16x as on March 31, 2025.

#### Margins vulnerable to raw material price volatility

Cotton and polyester staple fibre (PSF) are major raw materials for the company. Profitability of spinning mills depends largely on cotton and cotton yarn prices, which are governed by factors such as the area under cultivation, monsoon, and the international demand-supply situation, among others. PSF's prices also depend on the prices of purified terephthalic acid (PTA) and mono ethylene glycol (MEG) –two petrochemical derivatives, costs of which are subject to crude oil price volatility.

#### Liquidity: Adequate

Liquidity is adequate marked by tightly matched accruals against repayments. However, the company's rental income and income from investments are expected to ease out liquidity constraints. The cash balance stood moderate at ₹0.19 crore (PY: ₹0.54 crore) as on March 31, 2025. The current ratio of the company has been below unity for the last few years due to higher reliance on working capital borrowings and higher current maturities of debt. The company's operations are working capital intensive in nature. Average fund based working capital utilisation stood moderate at 77.38% for 12 months ended June 2025 (PY: 90.68%).

**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](#)

[Cotton Textile](#)

[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

LMC was incorporated in 1910 and manufactures cotton yarn and polyester-blended yarn. The company is based in Coimbatore and has two spinning units in Kovilpatti and Palladam, Tamil Nadu, each. The company's total installed capacity, as on March 31,

2025, is 133,392 spindles. The company mainly produces yarn in the count range of 60s to 100s. The Kovilpatti unit fully manufactures polyester-blend yarn and the Palladam unit produces cotton yarn and polyester-blended yarn. LMC also makes fabric from its own yarn by outsourcing, weaving, and processing work and is also into trading cloth and garments. In FY25, LMC derived 86.89% (PY: 85.30%) of its revenue from the sale of yarn and 13.11% (PY: 14.70%) from cloth and garments.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	253.63	264.98	55.44
PBILDT	1.11	22.00	5.55
PAT	(13.79)	(4.68)	(22.03)
Overall gearing (times)	0.17	0.16	NA
Interest coverage (times)	0.09	1.34	1.72

A: Audited UA: Unaudited NA: Not Available; 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-Cash Credit		-	-	-	36.90	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	January 2032	69.42	CARE BBB; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	8.70	CARE BBB; Stable
Fund-based - ST-EPC/PSC		-	-	-	3.00	CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	1.60	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	18.27	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	Fund-based - LT-Term Loan	LT	69.42	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)	1)CARE BBB+; Negative (14-Feb-23) 2)CARE BBB+; Stable (05-Jul-22)
2	Fund-based - LT-Cash Credit	LT	36.90	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)	1)CARE BBB+; Negative (14-Feb-23) 2)CARE BBB+; Stable (05-Jul-22)
3	Fund-based - LT-Working Capital Demand loan	LT	8.70	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)	1)CARE BBB+; Negative (14-Feb-23) 2)CARE BBB+; Stable (05-Jul-22)
4	Non-fund-based - ST-Bank Guarantee	ST	1.60	CARE A3+	-	1)CARE A3+ (19-Aug-24)	1)CARE A3+ (11-Jul-23)	1)CARE A2 (14-Feb-23) 2)CARE A2 (05-Jul-22)
5	Non-fund-based - ST-Letter of credit	ST	18.27	CARE A3+	-	1)CARE A3+ (19-Aug-24)	1)CARE A3+ (11-Jul-23)	1)CARE A2 (14-Feb-23)

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
								2)CARE A2 (05-Jul-22)
6	Fund-based - ST-EPC/PSC	ST	3.00	CARE A3+	-	1)CARE A3+ (19-Aug-24)	1)CARE A3+ (11-Jul-23)	1)CARE A2 (14-Feb-23) 2)CARE A2 (05-Jul-22)

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 - LT-Working Capital Demand loan	Simple
4	Fund-based - ST-EPC/PSC	Simple
5	Non-fund-based - ST-Bank Guarantee	Simple
6	Non-fund-based - ST-Letter of credit	Simple

#### Annexure-5: Lender details

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

**Note on complexity levels of rated instruments:** CareEdge 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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