

## SHAHLON SILK INDUSTRIES LIMITED

September 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	93.70	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	22.00	CARE BB-; Stable / CARE A4	Assigned
Short Term Bank Facilities	4.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Shahlon Silk Industries Limited (SSIL) remained constrained mainly on account of moderate capital structure, weak debt coverage indicators and stretched liquidity indicated by working capital intensive nature of business operations in FY25 (Audited, refers to period from April 01 to March 31) and Q1FY26 (Unaudited, refers to period from April 01 to June 30). The ratings also factor in the company's elongated operating cycle, its presence in a fragmented and cyclical textile processing industry, and the susceptibility of its margins to fluctuations in raw material prices.

However, the ratings derive comfort from the experienced promoters, SSIL's long track record of operations, and its moderate scale and profitability in FY25 and Q1FY26.

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

#### Positive factors

- Improvement in debt coverage indicators as marked by an interest coverage ratio above 2x and total debt to Gross cash accruals (TDGCA) below 10x.
- Improvement in operating cycle below 60 days.

#### Negative factors

- Decline in scale of operations as marked by total operating income (TOI) below Rs.200 crore and profitability position as marked by PBILDT margin below 7%.
- Any further addition in debt leading to deterioration in capital structure as marked by an overall gearing above 2.5x.
- Further elongation in operating cycle above existing operating cycle.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook indicates that SSIL is likely to maintain its business and financial risk profile over the medium term while benefiting from its established operational track record and experience of promoters.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate capital structure coupled with weak debt coverage indicators

Capital structure of SSIL as marked by an overall gearing remained moderate at 1.32x as on March 31, 2025 in line with previous year. Total debt level remained high at Rs.133.52 crore majorly consists of term loans for working capital, cash credit limit and unsecured loan as on March 31, 2025 indicating a continued high reliance on external borrowings to support operational requirements.

Debt coverage indicators of SSIL as marked by interest coverage ratio remained at 1.60x in FY25 declined from 1.86x in FY24 mainly due to an increase in finance costs following the additional term loan of Rs.25 crore availed to meet short-term funding needs. Further, Total debt to Gross Cash Accruals (TDGCA) also remained weak at 14.72x in FY25 (FY24: 11.18x) reflecting pressure on cash flows due to elevated debt levels.

<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.

### **Elongated working capital cycle**

SSIL's operating cycle has been consistently elongating year-on-year over the past five fiscal years, culminating in extended cycle of 258 days in FY25. The elongation is primarily attributed to increased working capital requirements, with substantial funds tied up in inventory and receivables. The inventory holding period increased to 143 days in FY25 (from 93 days in FY24), largely due to pending dispatches of customer orders. Additionally, delays in sales receipts led to an extended collection period of 190 days in FY25, compared to 158 days in FY24. However, in absolute terms, trade receivables declined from Rs.145.44 crore as of March 31, 2024, to Rs.97.28 crore as of March 31, 2025 led by decrease in sales to smaller customers whose payment cycles exceeded 120 days.

### **Susceptibility to volatility in raw material prices**

SSIL relies on synthetic yarn which is manmade fibre—derived from crude oil—as its primary raw material for producing non-woven fabric. This dependency inherently links the company's input costs to global crude oil price movements, leading to significant volatility into its cost structure. Despite sourcing its majority raw material domestically, SSIL's operating margins remain vulnerable to fluctuations in both domestic and international crude oil markets.

### **Presence in fragmented, cyclical, and competitive textile industry**

SSIL operates in a cyclical and fragmented textile industry marked by presence of many organised and unorganised players leading to high competition in the industry. The textile industry is inherently cyclical in nature and closely follows the macroeconomic business cycles. The raw material prices and finished goods are also determined by global demand-supply scenario, hence, shift in the macroeconomic environment globally also impacts the domestic textile industry.

### **Key strengths**

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

The promoters of the company have around four decades of experience in the textile industry, with active involvement since the early 1980s. Brothers from the Shah family—Mr. Dhirajlal R. Shah, Mr. Arvind R. Shah, and Mr. Nitin R. Shah—have contributed to various areas including textile manufacturing, infrastructure development, and industry associations. Overall operations of SSIL are looked after by them collectively under guidance of Mr. Dhirajlal Shah. Their roles have included participation in export councils, textile parks, and government advisory committees. Supporting them are professionals such as Mr. Rajendra K. Desai and Mr. Vaibhav J. Mehta, who bring expertise in finance, law, and textile technology, contributing to the company's operations and governance.

#### **Moderate scale of operations and profitability**

Scale of operations of SSIL as marked by Total Operating Income (TOI), remained moderate in the range of Rs.250–300 crore over the past five years ended FY25. In FY25, TOI declined by ~20% to Rs.250.27 crore from Rs.310.64 crore in FY24. This decline is primarily due to the management's decision to curtail sales to smaller customers whose payment terms had extended beyond 120 days. Additionally, SSIL earns commission income for acting as a del credere agent. SSIL received commission income of Rs.3.17 crore in FY24, which significantly increased to Rs.15.91 crore in FY25 which majorly includes commission from Reliance Industries Limited (RIL). Despite the drop in TOI, SSIL's profitability remained moderate as marked by PBILDT margin improved to 10.98% in FY25 from 8.94% in FY24, although operating profit remained stable in absolute terms at ~Rs.27 crore. The PAT margin also remained steady at 1.40% in FY25 compared to 1.28% in FY24.

#### **Liquidity: Stretched**

Liquidity position of SSIL remained stretched as marked by high utilization of working capital limits with frequent availment of adhoc limits and elongated operating cycle. Average utilization of working capital limits remained high at around 90-95% in past twelve months ended July 31, 2025. Operating cycle remained elongated at 258 days in FY25 deteriorated from 176 days in FY24 majorly on account of higher debtors' days and high inventory period. The inventory days usually remains high due to processing time involved on account of extensive production process as well as seasonality associated with key RM -yarn. The total debtors outstanding as on March 31, 2025, stood at Rs.97.28 crore which includes Rs.18.44 crores (19%) outstanding since more than six months. Cash and Bank balance remained at Rs.0.20 crore as on March 31, 2025. However, GCA level remained sufficient at Rs.9.07 crore in FY25 for repayment obligation of Rs.7.22 crore arising in FY26. Current ratio and quick ratio remained at 2x and 1.04x in FY25 respectively. Cash flow from operations increased from Rs.11.09 crore in FY24 to Rs.16.75 crore in FY25 mainly due to recoveries from trade receivables in FY25.

### **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](#)

## About the company and industry

### Industry classification

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

SSIL, based in Surat, Gujarat, was established in 2008 by Mr. Dhiraj R. Shah. The company specializes in fabric manufacturing using waterjet, airjet, and rapier looms, along with various yarn preparatory processes such as sizing, texturizing, dyeing, twisting, crêping, and producing ply yarn. SSIL is also involved in the trading of yarn and fabrics. Additionally, it operates as a sales agent for Reliance Industries Limited, handling yarn distribution. The company serves both domestic and international markets.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	310.64	250.27	48.25
PBILDT	27.77	27.47	6.67
PAT	3.98	3.50	0.71
Overall gearing (times)	1.35	1.32	NA
Interest coverage (times)	1.86	1.60	NA

A: Audited UA: Unaudited NA: Not available; Note: 'the above results are latest financial results available',

**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		-	-	February 2034	93.70	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	22.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-BG/LC		-	-	-	4.00	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	93.70	CARE BB-; Stable				
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	22.00	CARE BB-; Stable / CARE A4				
3	Non-fund-based - ST-BG/LC	ST	4.00	CARE A4				

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/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	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](mailto:care@careedge.in) for clarifications.

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