Chairman Silk Mills Private Limited

August 11, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long Term / Short Term Bank Facilities	RBI	5.00	CARE BB; Negative / CARE A4	Assigned
Long Term Bank Facilities	RBI	183.73 (Enhanced from 179.88)	CARE BB; Negative	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	RBI	3.27 (Enhanced from 3.12)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Chairman Silk Mills Private Limited (CSMPL) continue to remain constrained by the saleability risk associated with its newly commissioned ethanol project, limited scale of operations and moderate profitability restricting financial flexibility, exposure to raw material price volatility and feedstock availability risks, modest financial risk profile and stretched liquidity.

The ratings, however, continue to derive strength from the promoters' experience in the textile industry and the presence of an experienced professional team for the ethanol business. CareEdge Ratings also factors in successful commissioning of the ethanol project within the envisaged time and cost parameters, expected revenue stability supported by long-term offtake arrangements with public Oil Marketing Companies (OMCs) for a part of the plant's capacity, and the project's strategic location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achieving envisaged scale of operations and gross cash accruals
- Improvement in financial risk profile marked by total debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) below 5x on sustained basis.

Negative factors

- Substantially lower than envisaged total operating income (TOI) and profitability.
- Adverse regulatory changes leading to significant impact on company's operations.
- Total debt to PBILDT above 7x on sustained basis.

Analytical approach: Standalone

Outlook: Negative

The revision in the outlook factors in the expectation of the lower-than-envisaged total operating income (TOI) in FY27, as commercial sales from the ethanol manufacturing segment are yet to commence. Furthermore, the company has availed higher than-envisaged debt for the ethanol project, which coupled with lower than envisaged sales is likely to result in moderation in CSMPL's overall financial risk profile. Outlook may be revised to 'Stable' if CSMPL reports envisaged improvement in scale of operations and profitability.

Detailed description of key rating drivers

Key weaknesses

Saleability risk associated with its newly commissioned ethanol project

CSMPL successfully completed its greenfield project for setting up a grain-based fuel grade 120 kilo litre per day (KLPD) ethanol plant by the end of March 2026. The project was completed within the time and cost parameters. The actual project cost remained

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

higher than the envisaged level by ~₹16 crore due to increase in the scope of the project to include capex on sustainability measures and corn oil plant. For the same, company has availed additional debt of ₹5.20 crore while balance was funded through internal accruals and available liquidity. The trial run started in February 2026, and company started commercial production from the end of March 2026.

While company has long term offtake agreement (LTOA) with Rajasthan Urja Vikas and IT Services Limited (RUVITSL) for offtake of fuel grade ethanol, sales have not been commenced yet due to non-availability of the quota. While ~50% of the installed capacity is contracted through LTOA, saleability risk remains for the remaining volume.

Modest scale of operations and moderate profitability

CSMPL's scale of operations remained modest, marked by TOI of ₹35.00 crore in FY26 (FY25: ₹28.55 crore). It includes revenue of ₹33.69 crore from textile segment and ~₹1.31 crore from solar power segment. The scale is expected to increase significantly post ramp up of revenue from the ethanol segment in FY27.

PBILDT margin improved exceptionally from 10.67% in FY25 to 30.09% in FY26, driven by higher realisations from sale of obsolete inventory, a favourable sales mix, and rationalisation of raw material and processing costs. Consequently, profit after tax (PAT) margin also improved from 7.19% in FY25 to 10.06% in FY26, despite increase in depreciation and finance costs.
Gross cash accruals (GCA) also improved from ₹2.85 crore in FY25 to ₹6.78 crore in FY26.

Susceptibility of profitability to volatility in input prices and inherent risk related to agricultural produce

CSMPL remains exposed to risks associated with the availability and price volatility of maize, its primary feedstock, which is influenced by seasonality, monsoon conditions, and demand from competing end-use industries. Increasing competition from grain-based ethanol manufacturers may impact procurement costs and availability. Its ability to ensure timely and cost-effective feedstock procurement will remain a key monitorable.

Modest financial risk profile

As envisaged, CSMPL's financial risk profile moderated in FY26 due to availment of debt for ethanol project. Capital structure remained leveraged marked by overall gearing of 2.80x as on March 31, 2025 (FY25: 1.56x). In past two years, promoters infused equity funds and converted part of unsecured loans into equity shares resulted in augmentation of networth base, however, it remained modest at ₹57.17 crore as on March 31, 2026. Networth base includes ₹16 crore (P.Y.: nil) considered as quasi equity, as per the subordination clause of the bank.

With increase in debt levels, CSMPL's debt coverage indicators moderated in FY26 marked by PBILDT interest coverage of 2.74x for FY26 (FY25: 2.90x) and Total debt to GCA of 23.59x for FY26 (FY25: 15.12x). CSMPL's debt coverage indicators are expected to moderate to some extent during the initial phase of ethanol operations due to high fixed overhead and finance costs.

Key strengths

Promoters' experience in the textile industry and the presence of an experienced professional team for the ethanol business

CSMPL, promoted by Mahendra Agarwal, who has over three decades of experience in managing businesses, particularly in textile manufacturing. He is supported by his son Mr. Dhruv Agarwal, with over eight years of experience in textile industry. Further, the company has appointed experienced professionals from the distillery sector for execution and operations of ethanol plant.

Expected revenue stability supported by long-term offtake arrangements with public Oil Marketing Companies

CSMPL has LTOA with public Oil Marketing Companies (OMCs) for the supply of 2.145 crore litres of ethanol annually (approximately 50% of an installed capacity) for a period of 10 years from the date of agreement. The LTOA provides visibility of revenue and cash flows, reducing offtake and pricing risk to that extent.

Additionally, CSMPL has Power purchase agreement with Rajasthan Urja Vikas and IT Services Limited (RUVITSL) for 25 years for sales of 2.94MW of solar power at a tariff of ₹2.97/kWh, supporting long-term cashflow visibility.

Project's strategic location

For ethanol business, the plant is situated near key offtake points, with one Oil Marketing Company (OMC) depot within 60 kms and another two within 140 kms, supporting efficient logistics and timely supply.
For textile business, CSMPL's plant near Bhilwara, Rajasthan—a major textile hub—offers access to skilled labour, consistent raw material supply, strong road and rail connectivity, and proximity to ports like Kandla for efficient export logistics.

Liquidity: Stretched

Liquidity of CSMPL remained stretched marked by low GCA, negative cashflow from operations (CFO), moderate average working capital utilisation in past 12 months and elongation in operating cycle. It is envisaged to report cash accruals of ~₹1-2 crore as against debt repayment obligations of 0.86 crore in FY27. CFO remained negative at ₹32.26 crore mainly owing to increase in inventory level. It has free cash and bank balance of ₹3.47 crore as on March 31, 2026. Operating cycle elongated from 16 days in FY25 to 217 days in 217 days. Resultantly, average month end working capital utilisation remained modest at ~59% and increase in past 3 months post commencement of ethanol operations.

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

Rajasthan based, Chairman Silk Mills Private Limited (CSMPL; CIN: U01111RJ1994PTC008256) was incorporated in April 1994 by Mr. Mahendra Agarwal and was engaged in poly viscose fabric manufacturing. CSMPL recently completed 120 KLPD Grain based fuel grade Ethanol Plant with Cogeneration Power Plant under Ethanol Blending Programme near Bhilwara, Rajasthan. Additionally, CSMPL operates 3.08 MW ground mounted solar power plant under KUSUM Scheme of GOI near Bhilwara, Rajasthan.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (Prov.)
Total operating income	28.55	35.00
PBILDT*	2.93	10.53
Profit after tax (PAT)	2.05	3.52
Overall gearing (x)	1.56	2.80
Interest coverage (x)	2.90	2.74

A: Audited; Prov.: Provisional; Note: these are latest available financial results
PBILDT: Profit before interest, lease rental, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Simple	-	-	-	-	45.09	CARE BB; Negative
Fund-based - LT-Term Loan	RBI	Simple	-	-	-	30-04-2041	138.64	CARE BB; Negative
Non-fund-based - LT/ ST-Bank Guarantee	RBI	Simple	-	-	-	-	5.00	CARE BB; Negative / CARE A4
Non-fund-based - ST-Credit Exposure Limit	RBI	Simple	-	-	-	-	3.27	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	138.64	CARE BB; Negative	-	1)CARE BB; Stable (22-Jul-25)	-	-
2	Fund-based - LT-Cash Credit	LT	45.09	CARE BB; Negative	-	1)CARE BB; Stable (22-Jul-25)	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	3.27	CARE A4	-	1)CARE A4 (22-Jul-25)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE BB; Negative / CARE A4	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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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