The Lakshmi Mills Company Limited

August 03, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long Term Bank Facilities	RBI	103.53 (Reduced from 115.02)	CARE BBB; Positive	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	RBI	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, moderate financial performance of the spinning division, despite improved over the years, working capital intensive operations, and moderate debt coverage metrics.

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

- Drop-in occupancy or rentals on leased properties.
- Moderation in debt coverage indicators with TD/GCA beyond 10x on a sustained basis.

Analytical approach: Standalone

Outlook: Positive

The Positive outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation of an improvement in the company's profitability over the near term, supported by the recovery in demand and realizations in the yarn segment, along with expected savings in power costs arising from the full-capacity utilization of its captive power facilities. The outlook could be revised to Stable if the company is unable to improve its profitability due to a slowdown in demand or adverse movements in yarn prices.

Detailed description of key rating drivers

Key strengths

Long track record of operations of the 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 and 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, chief value cotton (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

[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.

Maharashtra, attributable to the group's long-standing presence in the textiles business. In FY26, top 10 customers accounted for 41.65% (PY: 32.74%) of total sales.

Comfortable capital structure

The company's capital structure stood comfortable, with an overall gearing of 0.12x as on March 31, 2026, against 0.16x as on March 31, 2025. In June 2025, LMC had sold ~35000 shares of Lakshmi Machine Works Limited (LMW) generating proceeds of ₹57.83 crore. These proceeds have been used to reduce working capital and creditors. The company is undertaking the rental expansion project at an estimated cost of ₹100 crore, which would be funded by term loans to the extent of ₹75 crore and the remaining through internal accruals. The capital structure is expected to remain comfortable despite this capex.

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 ₹791.81 crore (market price of share: ₹16,326 as on July 13, 2026). 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 2.62 lakh sq ft, with a lease contract of 3-15 years, renewable on expiry. In FY26, LMC received rental income of ₹26.13 crore (PY:₹23.03 crore).

Key weaknesses

Moderation in scale due to spinning segment slowdown

LMC's total operating income (TOI) declined by 8.53% to ₹242.37 crore in FY26 from ₹264.98 crore in FY25, primarily due to lower spinning segment revenues of ₹214.06 crore against ₹237.90 crore in FY25, amid subdued demand. The rental division (contributing ~10.78% of income) remained a key driver of profitability, while the spinning division (~89.22% of income) reported a reduced profit before interest and tax (PBIT) loss of ₹2.46 crore in FY26 compared to ₹11.51 crore in FY25. The improvement was supported by lower power costs following LMC's investment in a 20.5 MW group captive solar and wind power project in the past. Consequently, the company's PBILDT margin improved to 12.25% in FY26 from 8.30% in FY25. Despite the improvement in operating profitability, LMC reported a net loss of ₹15.55 crore owing to a one-time deferred tax expense of ₹19.49 crore arising from the write-off of unabsorbed depreciation and minimum alternate tax (MAT) credit upon migration to the new tax regime. GCA increased by 84.42% to ₹19.41 crore in FY26 from ₹10.53 crore in FY25, supported by improved operating performance and power cost savings.

Moderate debt coverage metrics:

Debt coverage metrics remained moderate, with the TD/GCA ratio improving to 4.42x as on March 31, 2026, from 13.16x as on March 31, 2025, driven by lower working capital utilisation. However, debt protection metrics are expected to remain moderate in the medium term, given the proposed term debt for the rental project, whose commercial operations date (COD) is envisaged by September 2027. The project is currently at a preliminary stage, with financial closure and tenant tie-ups yet to be achieved. Working capital utilisation is expected to increase as internal accruals are likely to be deployed towards project development.

Margins vulnerable to raw material price volatility:

Cotton and Polyester Staple Fibre (PSF) are the company's key raw materials, cotton prices depend on crop and demand-supply factors, while PSF prices are linked to purified terephthalic acid (PTA) and monoethylene glycol (MEG), which are derived from crude oil. Accordingly, volatility in cotton and crude oil prices can impact profitability. Recent rise in crude oil prices amid geopolitical tensions in West Asia may increase PTA and MEG costs, exerting upward pressure on PSF prices. The company's diversified fibre mix provides some cushion against raw material price fluctuations.

Liquidity: Adequate

Liquidity is adequate marked by sufficient cushion in accruals against repayments. Liquidity is also supported by the company's rental income and income from investments. The cash balance stood moderate at ₹0.53 crore (PY: ₹0.19 crore) as on March 31, 2026. However, following the partial sale of its investment in LMW in June 2025, the company strengthened its liquidity position, leading to a reduction in average utilisation of its fund-based banking limits to 25.29% for 12 months ended May 2026 (PY:77.38%). The company also has non-fund-based limits of ₹19.87 crore and average utilisation of the same stood at 41.5% in the last 12 months ended FY26.

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 and 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. As on March 31, 2026, the company's total installed capacity is 133,392 spindles. The company mainly produces yarn in the count range of 60s to 100s. LMC also makes fabric from its own yarn by outsourcing, weaving, and processing work, and is also into trading cloth and garments. In FY26, LMC derived 92.16% (PY: 87.21%) of its revenue from the sale of yarn and 7.84% (PY: 12.79%) from cloth and garments.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	253.63	264.98	242.37
PBILDT*	1.11	22.00	29.69
Profit after tax (PAT)	(13.79)	(4.68)	(15.55)
Overall gearing (x)	0.17	0.16	0.12
Interest coverage (x)	0.09	1.34	2.60

A: Audited; Note: These are latest available financial results.
*PBILDT: Profit before interest, lease rentals, 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 regulators:
A list of facilities / instruments falling under the purview of 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 (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	RBI	Simple	-		-	-	36.90	CARE BBB; Positive
Fund-based - LT-Term Loan	RBI	Simple	-		-	31-12-2034	57.93	CARE BBB; Positive
Fund-based - LT-Working Capital Demand loan	RBI	Simple	-		-	-	8.70	CARE BBB; Positive
Fund-based - ST-EPC/PSC	RBI	Simple	-		-	-	3.00	CARE A3+
Non-fund-based - ST-Bank Guarantee	RBI	Simple	-		-	-	1.60	CARE A3+
Non-fund-based - ST-Letter of credit	RBI	Simple	-		-	-	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 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	57.93	CARE BBB; Positive	-	1)CARE BBB; Stable (26-Aug-25)	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)
2	Fund-based - LT-Cash Credit	LT	36.90	CARE BBB; Positive	-	1)CARE BBB; Stable (26-Aug-25)	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)
3	Fund-based - LT-Working Capital Demand loan	LT	8.70	CARE BBB; Positive	-	1)CARE BBB; Stable (26-Aug-25)	1)CARE BBB; Stable (19-Aug-24)	1)CARE BBB; Stable (11-Jul-23)
4	Non-fund-based - ST-Bank Guarantee	ST	1.60	CARE A3+	-	1)CARE A3+	1)CARE A3+	1)CARE A3+

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
						(26-Aug-25)	(19-Aug-24)	(11-Jul-23)
5	Non-fund-based - ST-Letter of credit	ST	18.27	CARE A3+	-	1)CARE A3+ (26-Aug-25)	1)CARE A3+ (19-Aug-24)	1)CARE A3+ (11-Jul-23)
6	Fund-based - ST-EPC/PSC	ST	3.00	CARE A3+	-	1)CARE A3+ (26-Aug-25)	1)CARE A3+ (19-Aug-24)	1)CARE A3+ (11-Jul-23)

LT: Long term; ST: 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sandeep P Director **CARE Ratings Limited** Phone: 914428501002 E-mail: sandeep.prem@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Naveen S Associate Director **CARE Ratings Limited** Phone: 914224502305 E-mail: naveen.kumar@careedge.in Azad Krishnakumar Analyst **CARE Ratings Limited** E-mail: Azad.krishnakumar@careedge.in

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