



## Press Release

### Sambandam Spinning Mills Limited

February 05, 2026

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	94.32 (reduced from 97.19)	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Rating Downgraded	<a href="#">Simple</a>
Short Term Bank Facilities	9.25	IVR A4 (IVR A Four)	IVR A4+ (IVR A Four Plus)	Rating Downgraded	<a href="#">Simple</a>
<b>Total</b>	<b>103.57</b> <b>(Rupees One Hundred and Three crore and fifty-seven lakhs only)</b>				
Fixed Deposit	12.00 (Rupees Twelve crore only)	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Rating Downgraded	<a href="#">Simple</a>

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has downgraded its rating assigned to the bank facilities and fixed deposit of Sambandam Spinning Mills Limited (SSML). The downgrade takes into account the weak debt protection metrics in FY25 (refers to a period from April 01, 2024 to March 31, 2025) in spite of improvement in operational performance. The rating continues to be constrained due to susceptibility of profitability to volatility in raw material prices, working capital intensive operations and intense competition prevalent in the industry. However, the rating continues to derive support from extensive experience of the promoters and management, an established track record of operations in textile industry, and diversified geographical presence.

Stable outlook reflects improvement in the operational performance and support from experienced promoters.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained increase in the TOI and profitability
- Improvement in the debt protection metrics

##### Downward Factors



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- Delay in completion and stabilisation of modernization project impacting financial performance
- Further stretch in the liquidity position

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of promoters and management**

Salem (Tamil Nadu) based Sambandam Spinning Mills Limited (SSML) is managed by six whole-time promoter directors, Mr. S. Devarajan (Chairman and Managing Director), Mr. S. Jegarajan (Joint Managing Director), Mr. S. Dinakaran (Joint Managing Director), Mr. D. Sudarshan (Non-executive Director), Mr. J. Sakthivel (Director-Technical) and Mr. D. Niranjan Kumar (Director Marketing) with a cumulative experience of over three decades in the industry. Long experience of SSML's promoters and its established track record of operations strengthens the operational risk profile of the Company. The company's day-to-day operations are looked after by the skilled management along with a team of experienced professionals with over two decades of experience.

- **Established track record of operations in textile industry**

SSML was incorporated in 1973. The company is in the business of manufacturing and trading of textile yarn with various varieties of inputs such as cotton, viscose, polyester and melange for more than fifty years. The experience of the promoters has enabled the company to establish long-standing relationships with its suppliers and customers. The company generates ~98% of revenue from domestic market while the rest comes from exports. Within India, Tamil Nadu accounted for ~68% share in the TOI, followed by Maharashtra at ~12% in FY25. Gujarat, West Bengal, Andhra Pradesh, Haryana, etc., are some of the other markets serviced by the company.

- **Diversified geographical presence**

The company has a diversified geographical presence as their products are sold in about 10 states in India in FY25 and 10 international markets that include Singapore, China, Japan, USA and UK, Portugal, Israel, Indonesia, Bangladesh. Further, the company has



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established long-standing relationships with a majority of its customers, supporting stable and repeat business.

### Key Rating Weaknesses

- **Weak liquidity and debt protection metrics in spite of improvement in operational performance**

SSML's TOI has improved from Rs. 218.08 crore in FY24 to Rs. 268.48 crore in FY25 and absolute EBITDA from Rs. 6.73 crore to Rs. 9.27 crore. The growth was primarily driven by higher sales volume, despite the continuing lower selling prices. Along with its core cotton yarn business, the company also expanded sales of value-added yarns, which fetch relatively better realizations. Going forward, from FY26 onwards, SSML intends to place more focus on value added products to enhance earnings and margins.

H1FY26 revenue stood at Rs. 129.30 crore which is lower than that corresponding FY25 period by ~9%. The absolute EBITDA is at Rs. 9.01 crore approx. 55% higher than the corresponding FY25 period, indicating better operating efficiency and margin improvement.

The total debt of the company has reduced marginally from Rs. 124.32 crore as on 31<sup>st</sup> March 2024 to Rs. 119.30 crore as on 31<sup>st</sup> March 2025, including the unsecured loans taken from the directors and members. However, the overall gearing ratio on ATNW has deteriorated from 1.40 times as on 31<sup>st</sup> March 2024 to 1.46 times as on 31<sup>st</sup> March 2025 primarily on account of erosion in net worth due to continued losses. Further, the interest coverage ratio and DSCR remained below unity, indicating constrained debt servicing capacity. However, the company has been able to service its debt obligations through the infusion of additional unsecured loans from promoters and members.

The company has taken an additional debt of Rs. 12.35 crore in FY26 for part financing the modernization project of its existing spindles. The modernization project is expected to improve efficiency and overall financial profile however, the debt protection metrics have been impacted.

- **Susceptibility of profitability to volatility in raw material prices**

Cotton being an agro-commodity is susceptible to agro-climatic risks. The profit margins are highly susceptible to changes in the prices of cotton. The government through the



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Minimum Support Price (MSP) fixes the price of cotton. However, the purchase price depends on the prevailing demand-supply situation, which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability. Additionally, demand for yarn largely is driven by international demand supply dynamics, resulting in volatile margins.

- **Working capital intensive operations**

SSML's operations are working capital intensive due to the high inventory held by the company to manage operations. SSML generally holds inventory of around 1-2 months for domestic sales and 3-4 months for export orders. Further, SSML generally extends a credit of up to 45 days to customers; however, it has recently begun entering into cash sales agreements to improve collection efficiency on account of liquidity constraints. On the payables side, SSML receives around 60 days credit from its suppliers.

Consequently, the operating cycle stood moderately elongated, though it improved to 110 days as on 31<sup>st</sup> March 2025, compared to 143 days on 31<sup>st</sup> March 2024.

- **Intense competition prevalent in the industry**

The textile industry segment is characterized by high levels of fragmentation and low entry barriers across the value chain. SSML faces stiff competition in the domestic market and from other upcoming players because of lower production costs, ease-of-doing-business, and availability of cheap labour.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

**Liquidity –Stretched**

The Gross Cash Accruals earned is negative at Rs. 1.12 crore in FY25 as against the debt repayment of Rs. 16.57 crore. The average fund based working capital utilization for the past



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12 months ended November 2025 stands high at ~97%. The liquidity has been supported by funds infusion by the promoters and directors.

### **About the Company**

Salem (Tamil Nadu) based Sambandam Spinning Mills Limited (SSML) was incorporated in 1973. It is a BSE-listed company since 1995. The company is in the business of manufacturing and trading of textile yarn with various varieties of inputs such as cotton, viscose, polyester and melange. The company has three yarn manufacturing units at Salem, with an installed capacity of approx. 91,000 spindles. The company has installed sixteen wind turbine generators having a total capacity of 12.35 MW in the Tirunelveli districts of Tamil Nadu. Apart from domestic sales, SSML also exports yarn on a small scale to countries like Indonesia, Singapore, China, Japan etc. The company is managed by three whole-time promoter directors, Mr. S. Devarajan (Chairman and Managing Director), Mr. S. Jegarajan (Joint Managing Director) and Mr. S. Dinakaran (Joint Managing Director).

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2024	31-03-2025
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	218.08	268.48
EBITDA	6.73	9.27
PAT	-7.90	-7.43
Total Debt	124.32**	119.30
Adjusted Tangible Net Worth	88.95	81.96
EBITDA Margin (%)	3.09	3.45
PAT Margin (%)	-3.52	-2.76
Overall Gearing Ratio (x)	1.40	1.46
Interest Coverage (x)	0.52	0.81

\* Classification as per Infomerics' standards.

\*\*The variation in amount compared to the last PR dated December 23<sup>rd</sup>, 2024 is due to classification of fixed deposit from members and directors as part of debt instead of other current liabilities considered earlier.



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

- CRISIL Ratings, vide its Press release dated November 21, 2025 has continued the rating under INC category on account of unavailability of information for monitoring the rating.
- India Ratings, vide its Press release dated December 19, 2025 has continued the rating under INC category on account of unavailability of information for monitoring the rating.
- Brickwork Ratings, vide its Press release dated September 17, 2025, has continued the rating under INC category on account of inadequate information and lack of management cooperation for monitoring the rating.

### Any other information:

#### Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					Date (December 23, 2024)	Date (March 13, 2024)	Date (October 31, 2023)
1.	Term Loan/ GECL	Long Term	41.07	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable
2.	Cash Credit	Long Term	53.25	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable
3.	Fixed Deposit	Long Term	12.00	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable
4.	Letter of Credit	Short Term	9.25	IVR A4	IVR A4+	IVR A4+	IVR A4+

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd ] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit



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Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Up to March 2031	41.07	IVR BB/ Stable
Cash Credit	-	-	-	Revolving	53.25	IVR BB/ Stable
Letter of Credit	-	-	-	-	9.25	IVR A4
Fixed Deposit	-	-	-	-	12.00	IVR BB/ Stable



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**Annexure 2: Facility wise lender details:**

[https://infomericstorage.blob.core.windows.net/uploads/Len\\_Sambandam\\_feb26\\_e23f3d7def.pdf](https://infomericstorage.blob.core.windows.net/uploads/Len_Sambandam_feb26_e23f3d7def.pdf)

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).