



Press Release
L S Mills Limited
August 30, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	175.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	434.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	132.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	741.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and its short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.566.00 Cr. bank facilities of L S Mills Limited (LSML).The outlook is '**Stable**'.

Acuite has assigned its long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs.175.00 Cr. bank facilities of L S Mills Limited (LSML).The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation considers LSML's improved operating performance during FY2024 despite industry headwinds faced by textile industry, moderate financial risk profile and adequate liquidity position. The company continued to show stable growth in its operating income by registering a growth rate of ~8.3 percent in FY2024. However, it has registered a significant growth in its operating profit margin in relation to previous year driven by product portfolio changes, stable raw material prices and savings from captive power due to capital expenditure incurred during previous fiscals.

Acuite considers favourably the successful completion of various capex programs during the last 2 fiscals for enhancement of manufacturing capacity in spinning vertical and power vertical leading to improved business performance. However, the rating is constrained by the intensive nature of working capital operations, susceptibility to volatility in raw material prices (like witnessed in FY 2023) and foreign exchange fluctuation risk.

Going forward, LSML's ability to improve its scale of operations while maintaining its healthy profitability margins would remain the key monitorable.

About the Company

Incorporated in 1983, LSML is a family-owned integrated business engaged in manufacturing of cotton yarn, fabrics and home-furnishing products (Made-Ups). The LSML's manufacturing facility is located at Theni, Tamil Nadu. Its products include fine-count yarn of 60s-120s, fine thread count grey fabric and bed linen. As on date, LSML has an installed Spinning capacity of 119720 spindles, 124 in-house looms in its weaving division, 11.15 MW windmill capacity, 36 MW solar capacity and 12,000 pieces per day of Made-Ups (Bed-linen). Bed Linen is sold internationally under the brand name 'Airfeel' and in the domestic segment under the brand name 'Sleep Desire'. The company is an authorized license holder for procuring SUPIMA cotton and Egyptian (Giza) cotton. LSML is promoted by Mr. S. Manivannan and his family members.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the LSML to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record

Established in 1983, LSML is headed by Mr. S. Manivannan (Managing Director). The LSML has an operational track record of more than 3 decades with a diversified product portfolio including fibre, yarn, fabric and made-ups. The management is equally supported by the second line of management and has a team of more than 3000 well qualified - experienced workforce. With an integrated spinning, weaving and fabric manufacturing facility, each division functions as an independent profit centre. LSML's longstanding relations with its existing customers and suppliers aid the company in securing repeat orders on a regular basis supported by the timely availability of raw materials. Also, extensive experience of the promoters in the textile industry has helped the company in maintaining longstanding relations with some of the reputed players in the industry.

Acuité believes that the LSML will benefit from establishing presence in textile industry and extensive experience of promoters.

Moderate financial risk profile

The financial risk profile of LSML is moderate marked by healthy net-worth, moderate gearing and debt protection metrics. The tangible net worth of the company improved and stood at Rs.341.68 Cr. as on March 31, 2024 as against Rs.269.91 Cr. as on March 31, 2023. The improvement is on account of the accumulation of net profit in the reserve. The total debt of LSML stood at Rs.526.14 Cr. as on March 31, 2024 consisting of long-term debt of Rs.129.40 Cr, Short term debt of Rs.341.90 Cr. and maturing portion of long term borrowings of Rs.54.84 Cr. The maturing portion of long term borrowing includes Rs.30.00 Cr. of WCDL which is to be paid in FY2025. Further, LSML has ongoing CAPEX on modernisation of machines in its spinning division at a cost of Rs.115.85 Crore, which is expected to be completed by FY2026. The CAPEX is primarily debt-funded, for which the company has availed through term loan of Rs.80.00 Cr. and the remaining amount through internal accruals. Considering the ongoing CAPEX, company's debt will remain at similar levels in FY2025.

The gearing levels has moderately improved and stood at 1.54 times as on March 31, 2024 as against 1.73 times as on March 31, 2023 and expected to remain in the range of 1.24 - 0.91 times over the medium term. The Debt/EBITDA of the company steadily improved and stood 3.97 times as on March 31, 2024 as against 6.11 times as on March 31, 2023. The improvement in the debt/EBITDA is due to an increase in operating margins. It is expected remain in the range of 2.60 - 3.50 over the medium term. TOL/TNW (Total outside liabilities/Total net worth) has improved and stands at 1.77 times as on 31 March, 2024 as against 2.06 times in the previous year.

The debt protection metrics of the company are moderate with the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 3.93 times and 2.25 times respectively in FY2024 as against 2.42 times and 1.22 times respectively in the previous year. The NCA/TD stood at 0.19 times in FY2024.

ACUITE believes that the financial risk profile of the company will moderately improve owing to the strong PAT margin in the future years which is partially subdued by CAPEX plans.

Favourable revenue mix and sustainable improvement in EBITDA backed by integrated facilities

LSML reported turnover of Rs.699.27 Cr. in FY2024 as against Rs.645.63 Cr. in FY2023 reporting modest growth of 8.31 percent. The improvement in sales in FY2024 is majorly observed in the fabrics and made-ups division. Made-ups accounted for 46.59 percent of the total sales in FY2024 as against 41.32 percent in FY2023. This is due to the recovery of home textile demand in US & UK and restocking by the big retailers in US markets. Further, LS Mills shifted its made ups portfolio from commodity TC (thread count) sheets to premium TC sheets. Further, an

increase in yarn prices in FY2024 in the domestic market compared to the export market by 10-15 percent, resulted in low sales of Yarn and benefited from the better price realizations for fabrics. The realization per unit for fabrics was Rs.271.35 in FY2024 as compared to Rs.197.59 in FY2023 with YoY growth of 37.33 percent.

The strong operating efficiency of LSML is driven by integrated processes across the value chain which leads to lower cost of production at every level of the value chain. The EBITDA margin stood at 18.27 percent in FY2024 as against 11.56 percent in FY2023. A healthy EBITDA margin in FY2024 commands shift in the made ups portfolio to premium TC sheets, full-fledged utilization of captive power and an increase in yarn prices, which resulted in better price realizations for fabrics.

Acuite believes the operating performance of the company will be moderately improved in the near to medium term, owing to the modernization of spindles in FY2025 and FY2026.

Weaknesses

Working capital intensive operations

LSML's working capital operations has remained intensive in nature marked by elongated Gross Current Assets (GCA) days in the range of 200-230 days over the last two years ending in FY2024. The GCA days are driven by high inventory days and debtor days. The high inventory days is due to the need for large stocking of raw materials owing to seasonal availability of cotton and the company maintains large inventory at the end of every fiscal year. The inventory days stood at 133 days in FY2024 as against 137 days in FY2023.

Further, the debtor days stood at 102 days in FY2024 as against 75 days in FY2023. The elongation of debtor days is observed due to change in the made ups portfolio from commodity sheets to premium sheets. The elongated GCA cycle has led to a moderately high bank limit utilization of around 80-90 percent per cent of consolidated working capital requirement over the past 12 months ending March 2024.

ACUITE believes that the working capital operations of the company will continue to be intensive in nature, due to cotton's seasonal availability and the company's change in customer portfolio under made-ups segment. Going forward, restricting further elongation of its working capital operations of the company is key monitorable.

Susceptibility to volatility in raw material prices and foreign exchange fluctuation risk

LSML's profitable margins are susceptible to fluctuations in the prices of major raw materials such as domestic cotton (DCH 32, MCU 5) and Import cotton (Giza and Supima). The main raw material purchased by the company is cotton. Cotton being an agricultural commodity by nature, the margins are susceptible to changes in cotton prices. Cotton availability and price of the same is highly dependent on agro-climatic conditions. Further, demand supply scenarios and government regulations of changes in Minimum Support Prices (MSP) leads to distortion of prices and affect the profitability of players across the cotton value chain. Further, exports of the company constituted around 40-50 percent of the total sales. As a result, the business is exposed to fluctuations in the foreign exchange rate.

Rating Sensitivities

- Significant and sustainable improvement in the scale of operations while maintaining the profitability margins and capital structure.
- Any further deterioration in working capital cycle and liquidity profile of the company.
- Sustained improvement in the financial risk profile.

Liquidity Position: Adequate

LSML's liquidity is adequate marked by healthy generation of net cash accruals to its maturing debt obligations, albeit low level of unencumbered cash and bank balance and moderately high bank limit utilisation. LSML has generated cash accruals of Rs.102.01 Cr. in FY2024 as against its long term debt obligations of Rs.26.59 Cr. for the same period. LSML is expected to generate NCA in range of Rs.89.47-104.72 Cr. against maturing debt obligations in range of Rs.54-31 Cr. over the medium term. The current ratio stood at 1.08 times as on March 31 2024 and the fund based limit remains utilized of around 80-90 percent per cent of

consolidated working capital requirement over the past 12 months ending March 2024. Acuité believes that the liquidity of the LSML is likely to remain adequate in view of the moderate net cash accruals against repayment obligations

Outlook: Stable

Acuité believes that the outlook of LSML will remain 'Stable' over the medium term on account of the promoter's extensive experience established presence in the textile industry and stable operating performance. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle and timely completion of CAPEX. The outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and working capital cycle of LSML.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	699.27	645.63
PAT	Rs. Cr.	71.98	10.29
PAT Margin	(%)	10.29	1.59
Total Debt/Tangible Net Worth	Times	1.54	1.73
PBDIT/Interest	Times	3.93	2.42

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2024	Cash Credit	Long Term	158.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	34.54	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	21.39	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	58.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	6.03	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	55.25	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.92	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	30.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	3.20	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	1.67	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	45.00	ACUITE A1 (Reaffirmed)
31 Mar 2023	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	40.15	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	4.85	ACUITE A1 (Assigned)
	Cash Credit	Long Term	128.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	112.21	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Reaffirmed)
		Long		

	Cash Credit	Term	38.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	5.64	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	75.40	ACUITE A Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.75	ACUITE A Stable (Assigned)
14 Mar 2023	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	128.00	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Term Loan	Long Term	112.21	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	38.00	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Term Loan	Long Term	5.64	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
14 Dec 2021	Bills Discounting	Long Term	40.15	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	Term Loan	Long Term	12.16	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	3.87	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	38.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	20.98	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	85.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Proposed Long Term Bank Facility	Long Term	7.17	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	7.52	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	0.31	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	102.99	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Bills Discounting	Short Term	20.00	ACUITE A1 (Assigned)

	Bills Discounting	Short Term	10.00	ACUITE A1 (Assigned)
	Bills Discounting	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A1 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A1 Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE A Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	58.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	158.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.92	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	08 Dec 2021	Not avl. / Not appl.	01 Jun 2029	Simple	55.25	ACUITE A Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	07 Feb 2024	Not avl. / Not appl.	01 Mar 2033	Simple	30.00	ACUITE A Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	07 Feb 2024	Not avl. / Not appl.	07 Feb 2029	Simple	5.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	05 Dec 2018	Not avl. / Not appl.	01 Mar 2026	Simple	3.20	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	21 Aug 2019	Not avl. / Not appl.	01 Dec 2024	Simple	1.67	ACUITE A Stable Reaffirmed

HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	25 Mar 2022	Not avl. / Not appl.	01 Mar 2029	Simple	6.03	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	04 Sep 2021	Not avl. / Not appl.	01 Apr 2030	Simple	34.54	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	06 Sep 2021	Not avl. / Not appl.	01 Oct 2028	Simple	21.39	ACUITE A Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	07 Feb 2024	Not avl. / Not appl.	07 Feb 2034	Simple	50.00	ACUITE A Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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