



Press Release
L S MILLS LIMITED
October 07, 2025

Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	154.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	684.00	ACUITE A- Stable Downgraded	-
Bank Loan Ratings	57.00	-	ACUITE A2+ Downgraded
Total Outstanding Quantum (Rs. Cr)	895.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE A**' (read as **ACUITE A**) and its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.741.00 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 minus**) on the Rs.154.00 Cr. bank facilities of L S Mills Limited (LSML). The outlook is '**Stable**'.

Rationale for rating

The rating downgrade is on account of declined operating performance in 5MFY2026 as compared to previous year same period, further impact of increase in tariffs by USA and resultant stiff competition in domestic as well as export market is expected to adversely impact the company's operating performance since company has concentrated sales of ~ 80 per cent to USA. Further the rating factors in the high customer concentration risk, working capital-intensive operation and presence in a competitive industry along with unfavourable market conditions. However, the rating derives support from moderate profitability matrix, moderate financial risk profile despite large debt funded capex and extensive experience of the promoters in the industry along with long term relationship with their major clients.

About the Company

Incorporated in 1983, L S Mills Limited (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 106687 spindles, 120 in-house looms in its weaving division, 11.15 MW windmill capacity, 36 MW solar capacity and 1,75,000 pieces per month 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.

About the Group

LS Mills Limited is a leading textile manufacturer based in Theni, Tamil Nadu, with a substantial export presence, especially in the USA. Its group includes LS Mills Solar Green Energy Limited, a renewable energy subsidiary focused on solar power, and LS Mills LLC, a U.S.-based entity supporting international operations. Together, they referred as LS Mills Group.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered consolidated financial and business risk profiles of L S Mills Limited (LSML), LS Mills Solar Green Energy Limited (LSMSGEL) and L S Mills Limited liability company (LSMLLC) which is a wholly owned subsidiary of LSML on account of their common management and the nature of business to arrive at this 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

LSML's financial risk profile is moderate, marked by an improving net worth, moderate gearing levels and debt protection metrics. The net worth of the company improved to Rs.381.08 crore in FY2025 as against Rs.339.83 crore due to accretion of profits into reserves. The total debt of the company increased in FY2025 to Rs.601.13 crore, which includes Rs.129.06 crore of long-term debt, Rs.2.01 crore of USL from directors and promoters, Rs.409.84 crore of short-term debt and Rs.60.23 crore of CPLTD. The debt-equity ratio stood in the similar range at 1.58 times as on March 31, 2025 as against 1.55 times as on March 31, 2024. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.83 times as on 31 March, 2025 as against 1.78 times in previous year.

Further, the Debt/EBITDA of the company moderated and stood at 4.93 times as on March 31, 2025 as against 4.00 times as on March 31, 2024. The improvement in the debt/EBITDA is due to decline in the operating margins. The debt protection metrics of the company is moderated with the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 3.27 times and 1.19 times respectively in FY2025 as against 3.90 and 2.23 times respectively in FY2024. The NCA/TD stood at 0.12 times in FY2025.

The company is undertaking a Rs.300 crore CAPEX for modernization and setting up an in-

house fabric processing unit, which was previously outsourced. Out of total project cost, Rs.235 crore will be funded through a sanctioned term loan, and the remaining Rs.65 crore via internal accruals. This move is expected to reduce job work expenses and enhance both revenue and profitability. Acuite believes that the financial risk profile of the company will remain moderate owing to debt funded CAPEX plans.

Improvement in operating performance in FY2025, however expected to remain subdued in coming years due to challenges in USA market

LS Mills recorded a 15 per cent year-on-year growth in operating income, reaching Rs.799.20 crore in FY2025 from Rs.695.45 crore in FY2024, driven by higher sales in the yarn and made-ups divisions. The made-ups segment contributed 45.41 per cent of total sales, slightly down from 46.59 per cent, reflecting a strategic shift to premium sheets (800–2000 TC) amid recovering demand in the US and UK markets. Despite the revenue growth, operating profit margin (OPM) declined to 14.32 per cent in FY2025 from 18.22 per cent in FY2024, which had benefited from one-time modernization gains. In FY2026, the company booked Rs.309.95 crore in revenue during 5MFY26 and an additional Rs.33 crore in September 2025, taking the total to Rs.343 crore as of 23rd September 2025 vis a vis revenue of ~Rs. 380 Cr. reported in H1FY2025. The relatively lower sales in September reflect early signs of pressure from increased tariffs imposed by the USA, LS Mills' key export market. The company expects to close FY2026 with revenue in the range of Rs.730–Rs.750 crore, indicating a potential contraction in topline performance which is expected to continue further if there are no positive changes in the market conditions. Acuite believes, the challenging export market conditions are likely to adversely affect the revenues as well as profitability of the company going forward.

Weaknesses

Concentration Risk – Geographic and Customer Exposure

L S Mills Limited is exposed to significant concentration risk, with approximately 40 per cent of its revenue derived from exports, of which nearly 80 per cent is to the U.S. market. Within this, a substantial portion of export sales—over 50 per cent—is contributed by a single customer, MyPillow (USA), over the past three years. This dual concentration heightens the company's vulnerability to trade policy changes, such as elevated U.S. tariffs on Indian textile exports, and to customer-specific risks including demand fluctuations and credit exposure. Further, trade receivables of Rs. 90 crore and loans & advances of Rs. 37 crore extended to MyPillow have strained the working capital cycle, impacting liquidity and operational flexibility. However, the risk is mitigated to an extent since the company started recovering overdue debtors steadily and the long standing relations with the US based customers is expected to support operating performances and liquidity to an extent.

Working capital intensive operations

LSML's working capital cycle is intensive in nature marked by high gross current assets (GCA) days in the range of 230- 240 days over the last 2 years ending March 31, 2025. The GCA days are majorly marked by high debtor days and inventory days. The high inventory days is basically to company's policy of holding raw materials. LSML would procure cotton as and when the prices are too low and stock it for the non-peak season. The company procure the cotton in the month of January and February. The debtor days stood at 125 days as on March 31, 2025, 102 days as on March 31, 2024. Out of the total debtors outstanding for more than 120 days amounting to Rs.123.30 crore as on June 2025, Rs.96.90 crore pertains to a single client — MyPillow USA. However LSML has secured an Export Credit Guarantee (ECG) of Rs.50 crore specifically for MyPillow, mitigating the risk of potential bad debt to an extent. The fund-based bank limit utilisation stands at 95 percent for 6 months ended August 2025. Acuite believes, the operations of the company would remain working capital intensive owing to elongated receivables.

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.
- Any further deterioration in working capital cycle impacting liquidity profile of the company.
- Deterioration in financial risk profile owing to higher-than-expected debt funded capex or lower than expected cash accruals

Liquidity Position Adequate

LSML's liquidity is adequate marked by healthy generation of net cash accruals in FY2025 against its maturing debt obligations. LSML has generated cash accruals of Rs.72.43 crore during year ending FY2025 as against its maturing debt obligations of Rs.54.86 crore for the same period. Furthermore, the net cash accruals of the company are expected to be in the range of Rs.60 – Rs.70 crore against maturing debt obligation in the range of Rs.30 – 60 crore. The cash and bank balance of the company stood at Rs.7.12 crore in FY2025 and the current ratio of the company stood at 1.04 times. The fund-based bank limit utilisation stands at 95 percent for 6 months ended August 2025.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	799.20	695.45
PAT	Rs. Cr.	40.28	70.75
PAT Margin	(%)	5.04	10.17
Total Debt/Tangible Net Worth	Times	1.58	1.55
PBDIT/Interest	Times	3.27	3.90

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
30 Aug 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 (WCDL)	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)
	Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	50.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	50.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	50.00	ACUITE A Stable (Assigned)
	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)
	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)
		Long		

28 Jun 2024	Cash Credit	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 (WCDL)	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	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)
	Cash Credit	Long 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)
	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 (Downgraded from ACUITE A+ Stable)
	Term Loan	Long Term	112.21	ACUITE A Stable (Downgraded from ACUITE A+ Stable)

14 Mar 2023	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)
	Bills Discounting	Long Term	40.15	ACUITE A Stable (Downgraded from ACUITE A+ Stable)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	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.	2.00	Simple	ACUITE A2+ Downgraded (from ACUITE A1)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	248.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A2+ Downgraded (from ACUITE A1)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.34	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	08 Dec 2021	Not avl. / Not appl.	01 Jun 2029	41.80	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
State Bank of India	Not avl. / Not appl.	Term Loan	04 Sep 2021	Not avl. / Not appl.	01 Apr 2030	27.32	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
State Bank of India	Not avl. / Not appl.	Term Loan	06 Sep 2021	Not avl. / Not appl.	01 Oct 2028	15.41	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	25 Mar 2022	Not avl. / Not appl.	01 Mar 2029	4.42	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
Federal Bank	Not avl. / Not appl.	Term Loan	07 Feb 2024	Not avl. / Not appl.	01 Mar 2033	28.75	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
State Bank of India	Not avl. / Not	Term Loan	05 Dec 2018	Not avl. / Not	01 Mar 2026	0.96	Simple	ACUITE A- Stable Downgraded

	appl.			appl.				(from ACUITE A)
Federal Bank	Not avl. / Not appl.	Term Loan	07 Feb 2024	Not avl. / Not appl.	07 Feb 2034	50.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	29 May 2025	Not avl. / Not appl.	29 May 2033	35.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	29 May 2025	Not avl. / Not appl.	29 May 2033	45.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	29 May 2025	Not avl. / Not appl.	29 May 2033	22.00	Simple	ACUITE A- Stable Assigned
Exim Bank	Not avl. / Not appl.	Term Loan	11 Jul 2025	Not avl. / Not appl.	11 Jul 2033	132.00	Simple	ACUITE A- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A- Stable Downgraded (from ACUITE A)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company Name
1	L S Mills Limited
2	L S Mills Solar Green Energy Limited
3	L S Mills LLC

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About Acuité Ratings & Research

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