



Press Release
SUBBURAAJ COTTON MILL PRIVATE LIMITED
July 29, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	92.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	92.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs.92.00 crore bank facilities of Subburaaj Cotton Mill Private Limited (SCMPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation of rating:

The reaffirmation of rating reflects the improvement in operating profit in FY2025 (Prov.), despite a moderation in revenue due to change in product mix. Further, the rating also considers the improvement in financial risk profile, in line with Acuite’s expectations. However, the rating remains constrained by moderately intensive intensive in nature of working capital operations and susceptibility of profitability to the volatility in the raw material prices.

About the Company

Established in 1980 and based in Rajapalayam (Tamil Nadu), Subburaaj Cotton Mill Private Limited (SCMPL) was initially set up as partnership firm ‘Subburaaj Cotton Mill’ by Mr. K. Venkatasamy. In May 1995, the firm changed its constitution to private limited company and currently is promoted by Mr. A. Saravanakumar, Mrs. S. Ramapriya and other family members. SCMPL, a family-owned business, is engaged in the production of cotton yarn across coarser, medium and finer counts, largely utilized in the home textile segments (16s, 20s, 30s, 40s, 80s, 100s and 105s). SCMPL has a ring spinning manufacturing unit located in Rajapalayam (Tamil Nadu) with an installed capacity of 70,704 spindles and a rotor spinning manufacturing unit located in Krishnan Kovil (Tamil Nadu) with an installed capacity of 3,030 rotors, equivalent to 24,240 spindles.

About the Group

Established in 2004 and based in Rajapalayam (Tamil Nadu), Veebee Yarnntex Private Limited (VBYTPL) is promoted by Mr. A. Saravanakumar, Mrs. S. Ramapriya and other family members. VBYTPL, a family owned business, is engaged in the production of cotton yarn of finer counts of superior and premium quality, largely utilized in the home textile segments (60s, 67s, 80s, 100s and 120s). VBYTPL has a ring spinning manufacturing unit located in Madurai (Tamil Nadu) with an installed capacity of 1,26,384 spindles.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Veebee Yarnntex Private Limited (VBYTPL) and Subburaaj Cotton Mill Private Limited (SCMPL) together referred to as the 'SCM Group'. The consolidation is in the view of common management, strong operational and financial linkages between the entities.

Key Rating Drivers

Strengths

Promoters' extensive experience in cotton yarn manufacturing segment; established track record of operations in Tamil Nadu and Telangana.

Subburaaj Group is a family-owned business with the existence of more than four decades in the cotton yarn spinning industry. SCMPL was established with a spinning capacity of 12,000 spindles in 1980 by Mr. K. Venkatasamy as a partnership firm. In 2002, SCMPL was acquired by Mr. A. Saravanakumar (Grandson of Mr. K. Venkatasamy) in family settlement with nearly 20,000 spindles capacity. Over the years, Mr. Saravanakumar established the brand name of "Subburaaj" in both domestic and international markets and has actively taken part in the day-to-day operations of the group. In 2004, Mr. Saravanakumar incorporated VBYTPL for production of cotton yarn of finer counts. With a long track record of operations in Rajapalayam, SCM Group is one of the renowned cotton yarn manufacturer with a total spinning capacity of 1,97,088 spindles and 3,030 rotors along with 39.26 megawatt (MW) solar power for captive consumption. The promoter's extensive industry experience and established existence has helped the SCM Group to establish a longstanding relationship with its key suppliers and customers. Acuite believes that established track record of operations and longstanding relationship with customers and suppliers will continue to benefit the group over the medium term.

Improvement in profitability albeit decline in revenue:

SCM group registered revenue of Rs.429.69Cr in FY2025 (Prov.) against Rs.445.26Cr in FY2024. This moderation in revenue is due to changes in production lot to finer counts and lower yarn realization. Despite lower yarn realizations, the operating profit margin has improved to 16.60 percent in FY2025 (Prov.) against 12.22 percent in FY2024, due to lower raw material costs and benefits from captive power, which has been fully operational from FY2025. Additionally, PAT margin also improved to 3.24 percent in FY2025 (Prov.) compared to 1.38 percent in FY2024. Acuite believes that, the ability of the group to improve its revenue while maintaining its profitability will remain a key rating sensitivity.

Moderate financial risk profile:

SCM group's financial risk profile improved and overall stood moderate, marked by moderate net worth, healthy capital structure and debt protection metrics. The group's net worth stood at Rs.153.37 Cr. as on March 31, 2025 (Prov.) as compared to Rs.139.47 Cr. as on March 31, 2024. The improvement in net worth is due to accretion of profits to reserves during the period. The SCM group's overall debt level decreased to Rs.229.95 Cr. as on March 31, 2025 (Prov.) from Rs.276.76 Cr. as on March 31, 2024. Consequently, the gearing and total outside liabilities to tangible net worth (TOL/TNW) levels improved to 1.50 times and 1.81 times as of March 31, 2025 (prov.) respectively compared to 1.98 times and 2.26 times as on March 31, 2024 respectively. The debt protection metrics stood moderate with DSCR and ICR of 1.38 times and 3.69 times respectively as on March 31, 2025 (Prov.) against 1.02 times and 2.66 times respectively as on March 31, 2024. Debt to EBITDA improved to 2.99 times as on March 31, 2025 (Prov.) from 4.71 times as on March 31, 2024. Acuite believes that the financial risk profile of the group will improve further in absence of major debt funded capex over the medium term.

Weaknesses

Moderately intensive nature of working capital operations:

The working capital operations of the group are moderately intensive as reflected by the gross current assets (GCA) days of 140 days during FY2025 (Prov.) against 134 days in FY2024. The elongation in GCA days is due to high inventory days of around 84 days in FY2025 (prov.). The group generally maintains high inventory levels required for 45-60 days to ensure the quality of the cotton, resulting in higher inventory days. The debtor days of the group stood in the range of 25-40 days during past 3 years. The creditors days stood at 36 days in FY2025 (Prov.) as against 23 days in FY2024. The moderate working capital operations have led to moderate utilization of the fund based working capital operations at ~62 percent during the past 12 months ending April 2025.

Acuite believes that the working capital cycle will continue to remain in the similar range over the medium term on account of the nature of industry.

Susceptibility to fluctuation in raw material prices:

SCM Group's profitability margins are susceptible to fluctuations in the prices of major raw materials such as domestic cotton (DCH 32, MCU 5) and Import cotton (Giza, Pima and Supima). Cotton being a seasonal crop, the production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall affects the availability of cotton in adverse weather conditions. Furthermore, any abrupt change in cotton prices due to supply-demand

scenario and government regulations of changes in Minimum Support Price (MSP) can lead to distortion of prices and affect the profitability of players across the cotton value chain. Acuité believes that the group's business profile and financial profile can be adversely impacted on account of presence of inherent risk of susceptibility of volatility in raw cotton prices, since the industry is highly commoditized.

Rating Sensitivities

- Improvement in scale of operations while maintaining the current profitability levels.
- Improvement in the financial risk profile.
- Further stretch in working capital cycle leading to high dependence of bank borrowings and deterioration in liquidity position.

Liquidity position: Adequate

The group registered cash accruals of Rs.53.46 Cr. in FY2025 (Prov.) against its repayment obligations of Rs.33.18 Cr. for the same period. The working capital operations are moderate as reflected by its Gross Current Asset (GCA) days of 140 days in FY2025 (prov.) leading to moderate reliance on working capital limits with average utilisation at ~62 percent over the past 12 months ended April, 2025. The unencumbered cash and bank balances stood low at Rs.0.12Cr as on March 31, 2025 (Prov.). The group's accruals are expected to be in the range of Rs.55.00-70.00 Cr. for FY2026-2028 against its repayment obligations of Rs.28-33 Cr. during the same period. Acuité believes that the liquidity position of the group will remain adequate over the medium term with expected sufficient net cash accruals against the repayment obligations and buffer available from the unutilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	429.69	445.26
PAT	Rs. Cr.	13.90	6.15
PAT Margin	(%)	3.24	1.38
Total Debt/Tangible Net Worth	Times	1.50	1.98
PBDIT/Interest	Times	3.69	2.66

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. Acuité'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	
04 Apr 2025	Stand By Line of Credit	Long Term	0.75	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	0.82	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.16	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.32	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	48.00	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	22.11	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	17.84	ACUITE BBB	Stable (Reaffirmed)
05 Jan 2024	Working Capital Term Loan	Long Term	2.32	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	3.32	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.71	ACUITE BBB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.21	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	48.00	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.08	ACUITE BBB	Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	0.75	ACUITE BBB	Stable (Reaffirmed)
07 Oct 2022	Term Loan	Long Term	28.61	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	36.00	ACUITE BBB	Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	0.75	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	5.66	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	0.93	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	3.21	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE BBB	Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.44	ACUITE BBB	Stable (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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.82	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.75	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2029	22.11	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	2.32	Simple	ACUITE BBB Stable Reaffirmed

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

Sr.no	Company name
1	Subburaaj Cotton Mill Private Limited
2	Veebee Yarnntex Private Limited

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About Acuité Ratings & Research

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