



Press Release
CHERAN SPINNER PRIVATE LIMITED
November 05, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.51	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	6.80	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	74.31	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.74.31 crore bank facilities of Cheran Spinner Private Limited (CSPL). The outlook is '**Stable**'.

Rationale for Rating

The rating reaffirmation factors in the improvement in the revenues and steady profitability along with moderate working capital requirements. Further the rating considers the extensive experience of the promoters and long operational track record. However, the rating is constrained due to below average financial risk profile and stretched liquidity position supported by promoters funds, susceptibility of profitability to volatility in raw material prices in a highly competitive industry.

About the Company

Incorporated in 1991, Cheran Spinner Private Limited (CSPL) is engaged in manufacturing of various types of yarn and specialises in manufacturing of viscose yarn. The manufacturing facility of the company is set up in Erode, Tamil Nadu with a capacity of 42,000 spindles. The company is promoted by A. S. Palanisamy, S. Muthusamy, P. Thangavel and M. Ramakrishna Prasad who have over three decades of experience in the industry.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of CSPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of management and established track record of operations

CSPL is based out of Tamilnadu and was incorporated in 1991 reflecting its long track record

of operations in the textile industry. The promoters of the company, A. S. Palanisamy, S. Muthusamy, P. Thangavel and M. Ramakrishna Prasad have been working in the textile industry for over three decades. The operations of the company are managed by its promoters who are ably supported by a qualified and well experienced senior management team. The experienced of promoters and long track record of operations in the textile industry has helped the company to maintain healthy and long-term relationships with both its customers and suppliers. Acuité believes CSPL will continue to benefit over the medium term from its longstanding association with its key customers as well as suppliers.

Stable operating income and range bound profitability

CSPL primarily manufactures blended yarn, with a focus on viscose yarn. Operating income improved to Rs.215.17 crore in FY2025 from Rs.182.11 crore in FY2024. However, operating margins declined to 5.80% from 6.80%, impacted by competitive pricing pressures from Chinese and Indonesian manufacturers. PAT margins remained thin but rangebound between 0.55%– 0.65%. Further, in H1FY26 the company reported revenue of Rs.111.68 crore with improved operating and PAT margins of 7.41% and 1.78%, respectively. It expects to achieve Rs.225– Rs.235 crore in revenue for FY2026. Acuité believes revenue will remain stable over the medium term, with profitability improvement being a key monitorable.

Moderate working capital requirements

The company's working capital operations remain moderate, with Gross Current Assets (GCA) days improving to 138 days in FY2025 from 175 days in FY2024. This improvement is primarily driven by better inventory and debtor management. Inventory holding reduced to 75 days in FY2025 from 90 days in FY2024, supported by efficient production cycles and stock policies. Debtor days also improved to 39 days from 64 days, while creditor days declined to 7 days from 10 days. Viscose fiber, the key raw material sourced from Grasim, is procured on an advance payment basis. The company's bank limit utilization remains high at 91.61% for fund-based limits and 93.93% for non-fund-based limits for the nine months ended September 2025. Acuité expects the company's working capital requirements to remain intensive over the medium term.

Weaknesses

Below average financial risk profile

The company's financial risk profile remained below average, characterized by moderate net worth and gearing and weak debt protection metrics. Tangible net worth improved to Rs.70.07 crore as on March 31, 2025, from Rs.68.70 crore in the previous year, driven by profit accretion. Total debt declined to Rs.61.42 crore as on March 31, 2025 as against Rs.68.23 crore as on March 31, 2024, comprising Rs.13.43 crore in long-term debt, Rs.37.69 crore in short-term debt (including Rs.7.43 crore short term loan for purchase of raw materials), and Rs.10.30 crore in current maturities. Gearing (debt to equity) stood at 0.88 times, and TOL/TNW at 1.14 times as on March 31, 2025. Debt/EBITDA improved to 4.82 times from 5.36 times. Interest coverage ratio (ICR) declined to 2.08 times, and debt service coverage ratio (DSCR) remained below unity at 0.78 times in FY2025. Acuité expects the financial risk profile to improve moderately over the medium term, supported by anticipated enhancement in operating margins in FY2026 and FY2027.

Highly competitive textile industry and susceptibility of profits due to the fluctuations in the raw material prices

The textile industry in India is highly fragmented and competitive marked by the presence of a large number of organised and unorganised players. The group is exposed to intense competition from both domestic players as well as the established players in the overseas market. The shifts in consumption patterns may have an impact on the operations of the company. Further, the viscose yarn prices in the industry have been compromised on account of heavy imports of viscose yarn at competitive prices having an adverse impact on the profitability of the viscose yarn manufacturers. Further, the company also faces a supplier concentration risk as ~80 percent of viscose fibre are procured from a single supplier. Any fluctuations in the prices of viscose yarn is likely to impact the profitability of the company.

Rating Sensitivities

- Sustained improvement in scale of operations and profitability.
- Any significant elongation in working capital cycle
- Change in financial risk profile

Liquidity Position Stretched

The Liquidity of the company remained stretched with inadequate net cash accruals (NCA) as against its debt service obligations. The net cash accruals of the company stood at Rs.6.14 crores in FY2025 as against debt obligation of Rs.9.63 crores during the same period. The NCAs are expected to be in the range of Rs.7.00–9.10 crores in FY2026 and FY2027 as against maturing debt obligation in the range of Rs.9.00-10.40 crores during the same period. However, there has been no delay in the repayment of debt obligations as confirmed by the banker as the company is prioritising its repayment of debt obligations from its sale proceeds every month. The current ratio of the company stood at 1.35 times as on March 31, 2025 against 1.55 times as on March 31, 2024. The company's bank limit utilization remains high at 91.61% for fund-based limits and 93.93% for non-fund based limits for the nine months ended September 2025. The unencumbered cash balance of the company stood at Rs. 0.03 crore as on March 31, 2025.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	215.17	182.11
PAT	Rs. Cr.	1.37	1.01
PAT Margin	(%)	0.64	0.55
Total Debt/Tangible Net Worth	Times	0.88	0.99
PBDIT/Interest	Times	2.08	2.24

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
07 Aug 2024	Letter of Credit	Short Term	2.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	9.53	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	20.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	8.26	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	9.21	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	14.31	ACUITE BB+ Stable (Assigned)
10 May 2023	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	11.48	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	15.52	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
AXIS BANK LIMITED	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+ Stable Reaffirmed
H D F C Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB+ Stable Reaffirmed
Federal Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB+ Stable Reaffirmed
H D F C Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A4+ Reaffirmed
AXIS BANK LIMITED	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.80	Simple	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.99	Simple	ACUITE BB+ Stable Reaffirmed
Federal Bank Limited	Not avl. / Not appl.	Term Loan	28 Aug 2023	Not avl. / Not appl.	31 Jul 2027	11.98	Simple	ACUITE BB+ Stable Reaffirmed
H D F C Bank Limited	Not avl. / Not appl.	Term Loan	26 Feb 2021	Not avl. / Not appl.	07 Aug 2028	5.60	Simple	ACUITE BB+ Stable Reaffirmed
AXIS BANK LIMITED	Not avl. / Not appl.	Term Loan	21 May 2024	Not avl. / Not appl.	30 Jun 2031	0.94	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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