

31st October, 2025

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| <p>BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. Scrip Code: 532782</p> | <p>National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051. Scrip Code : SUTLEJTEX</p> |
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Dear Sirs / Madam,

Sub: Intimation of Credit Rating under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform you that India Ratings and Research (Ind-Ra) has downgraded the Company's Long Term Issuer Rating to 'IND A' with a Negative Outlook from 'IND A+'.

The instrument wise rating actions are as follows:

| Instrument Type | Rating / Outlook | Rating Action |
|-----------------------------------|-----------------------|---|
| Issuer rating | IND A / Negative | Downgraded |
| Bank loan facilities [#] | IND A/Negative/IND A1 | Long-term rating downgraded; short-term rating affirmed |

[#] Overall ceiling of Rs. 7,600 million under multiple banking arrangements pertaining to working capital limits.

Detailed Rationale of the Rating Action

The downgrade of the long-term rating and Negative Outlook reflect Ind-Ra's expectation of a lower-than-expected improvement in Sutlej's EBITDA over FY26-FY28, leading to a continued elevated net adjusted leverage (net debt/EBITDA) above 5.0x and a low interest coverage (EBITDA/gross interest expense) of 1.0x-1.75x. This is on account of the planned capex towards modernisation, upgradation and value-added product, which

would also lead to an increase in the debt leading to an elevated net adjusted leverage over FY26-FY28. However, the capex is discretionary and would depend on cash generation, internal accruals, likely fund infusion and debt tie-ups. Despite an improvement in the EBITDA in FY25, it remained volatile over FY22-1QFY26, hence, sustained recovery and lower volatility in EBITDA would remain a key monitorable.

The affirmation of short-term rating reflects Sutlej's ability to adequately manage its liquidity through additional loans, releasing working capital despite lower EBITDA and expected infusion of funds for managing liquidity and capex over FY26-FY28, reflecting financial flexibility.

This is for the information of the members and exchanges.

Thanking you

Yours faithfully
For **Sutlej Textiles and Industries Limited**

Manoj Contractor
Company Secretary and Compliance Officer



India Ratings Downgrades Sutlej Textiles and Industries to 'IND A'; Outlook Negative

Oct 31, 2025 | Other Textile Products

India Ratings and Research (Ind-Ra) has downgraded Sutlej Textiles and Industries Limited's (Sutlej) Long-Term Issuer Rating to 'IND A' with a Negative Outlook from 'IND A+'. The instrument-wise rating actions are as follows:

Details of Instruments

| Instrument Type | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of Issue (million) | Rating assigned along with Outlook/ Watch | Rating Action |
|-----------------------|------------------|-----------------|---------------|--------------------------------------|---|---|
| Issuer rating | - | - | - | - | IND A/Negative | Downgraded |
| Bank loan facilities# | - | - | - | INR13,465.1 (reduced from INR13,500) | IND A/Negative/IND A1 | Long-term rating downgraded; short-term rating affirmed |

Overall ceiling of INR7,600 million under multiple banking arrangements pertaining to working capital limits

Analytical Approach

Ind-Ra continues to fully consolidate Sutlej's subsidiary Sutlej Holdings, Inc (100% holding) and step-down subsidiary American Silk Mills LLC (100% holding) to arrive at the ratings because of the majority shareholding in these entities and related business profile.

Detailed Rationale of the Rating Action

The downgrade of the long-term rating and Negative Outlook reflect Ind-Ra's expectation of a lower-than-expected improvement in Sutlej's EBITDA over FY26-FY28, leading to a continued elevated net adjusted leverage (net debt/EBITDA) above 5.0x and a low interest coverage (EBITDA/gross interest expense) of 1.0x-1.75x. This is on account of the planned capex towards modernisation, upgradation and value-added product, which would also lead to an increase in the debt leading to an elevated net adjusted leverage over FY26-FY28. However, the capex is discretionary and would depend on cash generation, internal accruals, likely fund infusion and debt tie-ups. Despite an improvement in the EBITDA in FY25, it remained volatile over FY22-1QFY26, hence, sustained recovery and lower volatility in EBITDA would remain a key monitorable.

The affirmation of short-term rating reflects Sutlej's ability to adequately manage its liquidity through additional loans, releasing working capital despite lower EBITDA and expected infusion of funds for managing liquidity and capex over FY26-FY28, reflecting financial flexibility.

List of Key Rating Drivers

Strengths

- Improvement in EBITDA margins in FY25; likely to improve further over FY26-FY28
- Continued positive cash flows despite lower EBITDA; likely to remain positive over FY26-FY28
- Comfortable business profile; further diversification in progress

Weaknesses

- Deterioration in credit metrics in FY25; likely to remain stretched over FY26-FY28
- Planned debt-led capex
- Forex risks
- Inherent industry risks

Detailed Description of Key Rating Drivers

Improvement in EBITDA Margins in FY25; Likely to Improve Further over FY26-FY28: Ind-Ra expects the EBITDA margins to recover to 4%-6% gradually over FY26-FY28, considering the high proportion of sales from value-added products being added by Sutej and various cost-saving measures such as reduction in power cost through entering into a captive renewable power arrangement and reduction in labour costs. The EBITDA margins turned positive to 1.84% in FY25 (FY24: negative 1.08%; FY23: 8.69%) owing to favourable raw material pricing. The EBITDA turned positive to INR493 million in FY25 (FY24: negative INR293 million; FY23: INR2,679 million). The yarn division contributed around 93% to the total revenue in FY25 (FY24: 92%; FY23: 94%), which, Ind-Ra expects to remain at similar levels over FY26-FY28.

In 1QFY26, Sutej reported EBITDA losses of INR21 million with EBITDA margins of 0.35% impacted by the India-Pakistan conflict, disrupting the operations at the Jammu & Kashmir plant for 20-25 days. However, as informed by the management, the company resumed operations from July 2025.

Continued Positive Cash Flows Despite Lower EBITDA; Likely to Remain Positive over FY26-FY28: Sutej maintained positive cash flows despite lower EBITDA in FY25, due to continued efforts towards working capital management. The cash flow from operations declined to INR94 million in FY25 (FY24: INR1,645 million; FY23: INR1,475 million). Ind-Ra expects the cash flow to remain positive over FY26-FY28, factoring in management of working capital requirement and a gradual improvement in EBITDA. Sutej plans to maintain net working capital cycle of 110-120 days over FY26-FY27. The free cash flow, however, turned negative to INR561 million in FY25 (FY24: INR924 million; FY23: negative INR252 million) impacted by capex towards the modernisation of machinery; however, the capex could be deferred depending upon the fund's availability through a likely fund infusion or debt-funding tie-ups. Ind-Ra expects the free cash flow to remain negative over FY26-FY27 due to continued capex towards new value-added products and continuation in modernisation, technology upgradation and de-bottlenecking of the existing facilities of capex.

Comfortable Business Profile; Further Diversification in Progress: Sutej holds a leading position in India's value-added spun-dyed yarn industry, which has limited players in the dyed and mélange yarn segment in the organised sector. The company has over nine decades of operational track record, leading to established relationships with its customers and suppliers. Furthermore, Sutej is planning to further diversify its product mix by entering into new initiative business, along with additional value-added yarns. The company has already incurred capex towards the new initiative, value-added yarn and fibres, which is likely to reflect from FY27. As per the management, with diversified and higher margin products, the company would be able to earn better margins since it has exposure to reputed customers.

The ratings are also supported by Sutej's geographical diversification across the domestic and export markets, product diversification across value-added yarns and four plant locations. Sutej has a diversified customer base with its top 10 customers accounting for around 17% of the total revenue in FY25 (FY24: 18%; FY23: 20%), reflecting a low concentration risk. The revenue remained stable at around INR26,832 million in FY25 (including scrap sales income; FY24: INR27,110 million; FY23: INR30,822 million). As per the management, the home textiles division would report EBITDA profits in FY26 with home textiles division contributing around 7% (8%; 6%) and new initiative would operationalise 2HFY27 onwards.

Deterioration in Credit Metrics in FY25; Likely to Remain Stretched over FY26-FY28: Sutej's interest coverage stood at 0.78x in FY25 (FY24: not meaningful; FY23: 4.63x) and net adjusted leverage remained stretched at 17.6x (not meaningful; 3.52x). The agency expects an improvement in the EBITDA margins to 4%-6% over FY26-FY28 on the back of reduced power and employee cost, along with improved margin value-added products being added to the product portfolio. However, the net leverage is likely to remain elevated above 5.0x over FY26-FY28 and interest coverage to remain stretched at 1.0x-1.75x owing to the increased debt for capex in modernisation, upgradation and value-added products.

Planned Debt-led Capex: Sutlej will incur capex of around INR6,500 million over FY26-FY30 for modernisation, technology upgradation and de-bottlenecking, along with new initiative. The capex would be funded through external debt, likely fund infusion and internal accruals. However, the proportion is yet to be finalised depending upon market demand and cash flow generations of Sutlej. Additionally, the capex is discretionary in nature, depending mainly upon the funding tie-ups with banks and likely fund infusion. Sutlej incurred capex towards the renewable and group captive power plants, value-added yarns, home textiles and new initiatives, which would reflect in improved revenue and operational margins from 2HFY26. Ind-Ra factors in a likely fund infusion in 3QFY26 of over INR500 million and an additional infusion of INR500 million-1,000 million over FY27-FY28 as articulated by the management.

Forex Risks: Sutlej's exports comprised around 36% of the total revenue in FY25 (FY24: 39%) while import of raw materials was minimal. Thus, being a net exporter, Sutlej's margins are exposed to forex risk. However, as a practice, the company fully hedges its forex exposure to reduce the risk. Ind-Ra believes Sutlej will remain exposed to forex risks, but efficient hedging practices are likely to aid in minimising the losses. In FY25, Sutlej registered a forex gain of INR1.9 million (FY24: INR14.80 million; FY23: loss of INR131.5 million).

Inherent Industry Risks: The Indian textile industry is highly fragmented due to the low-entry barriers, particularly in the yarn segment. Moreover, Sutlej faces fluctuating operating margins due to volatile raw material prices. The raw material cost as a percentage of revenue was about 58% for FY25 (FY24: 63%; FY23: 54%). The supplier concentration on polyester staple fibre and viscose, the key raw materials, is high, leading to a low bargaining power with such raw material suppliers. Moreover, the company faces high price elasticity of demand as the key end-industry (fabrics) is based on consumer discretion. Furthermore, the domestic textile industry is characterised by intense competition from the unorganised segment, which poses risk to the margins and supply chain. However, Sutlej with diversified exposure to cotton and blended yarn is less affected than pure cotton yarn spinners as synthetic fibre prices are less volatile than raw cotton prices.

Liquidity

Adequate: Sutlej's average utilisation of the sanctioned fund-based limits including bill discounting facilities was around 71% for the 12 months ended September 2025, providing sufficient liquidity cushion despite low free cash balances of INR176 million at June 2025 (FYE25: INR119 million; FYE24: INR29 million; FYE23: INR107 million). The company's gross working capital cycle was around 120 days in FY25 (FY24: 115 days; FY23: 137 days) with an inventory holding period of 73 days (69 days; 98 days) and receivable period of 47 days (46 days; 38 days). The management expects the gross working capital cycle to remain at 120-125 days over FY26-FY27 with no plans to maintain excess inventory. Ind-Ra expects Sutlej's liquidity to remain adequate in FY26-FY27, considering the unutilised portion of the fund-based limit of around INR1,580 million as of September 2025, and unavailed debt from banks and likely plan of fund infusion of around INR500 million in 3QFY26 or by start of 4QFY26. Sutlej's has scheduled debt repayments of INR1,295 million and INR1,260 million in FY26 and FY27, respectively.

Rating Sensitivities

Positive: An improvement in the business profile and an improvement in profitability leading to visibility on the net adjusted leverage falling below 4.0x all on a sustained basis, could lead to the Outlook being revised to Stable.

Negative: Any major debt-led capex, a lower-than-expected revenue and/or operating EBITDA margins and/or a further elongation of the working capital cycle, leading to the net adjusted leverage increasing above 4.0x, all on a sustained basis, will lead to a negative rating action.

Any Other Information

Standalone Performance: Sutlej reported revenue of INR26,490 million in FY25 (including scrap income; FY24: INR26,798 million; FY23: INR30,474 million) and EBITDA of INR522 million (negative INR214 million; INR2,725 million) with EBITDA margins of 1.97% (negative 0.80%; 8.94%). The interest coverage improved to 0.85x in FY25 (FY24: negative 0.34x; FY23: 4.81x) and the net leverage at 16.72x (negative 38.37x; 3.41x).

About the Company

Sutlej manufactures synthetic, natural, and blended yarns and home furnishing textiles such as curtains and made ups. It is a part of the multi-product conglomerate KK Birla Group. Sutlej has an annual spinning capacity of 415,968 spindles and a home textile capacity of 8.97 million metres. Its manufacturing facilities are in Bhawanimandi (Rajasthan), Baddi (Himachal Pradesh) and Kathua (Jammu & Kashmir). It has a home textile fabric division in Daheli (Gujarat) and a green fibre unit at Baddi (Himachal Pradesh).

Key Financial Indicators

| Particulars (INR million) – Consolidated | FY25 | FY24 |
|--|--------|--------|
| Revenue (including scrap income) | 26,832 | 27,110 |
| Operating EBITDA | 493 | -293 |
| EBITDA margin (%) | 1.84 | -1.08 |
| Interest coverage (x) | 0.78 | NM |
| Net adjusted leverage (x) | 17.60 | NM |
| Source: Company, Ind-Ra NM – not meaningful | | |

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

| Instrument Type | Rating Type | Rated Limits (million) | Current Rating/Outlook | Historical Rating/Outlook | |
|----------------------|----------------------|------------------------|------------------------|---------------------------|-------------------------|
| | | | | 1 August 2024 | 2 May 2023 |
| Issuer rating | Long-term | - | IND A/Negative | IND A+/Negative | IND A+/Negative |
| Bank loan facilities | Long-term/Short-term | INR13,465.1 | IND A/Negative/IND A1 | IND A+/Negative/IND A1 | IND A+/Negative/IND A1+ |
| Commercial paper | Short-term | - | - | - | WD |

Bank wise Facilities Details

The details are as reported by the issuer as on (31 Oct 2025)

| # | Bank Name | Instrument Description | Rated Amount (INR million) | Rating |
|---|------------------------|--------------------------------------|----------------------------|-------------------------|
| 1 | Jammu and Kashmir Bank | Term Loan | 756 | IND A/Negative |
| 2 | ICICI Bank | Term Loan | 1887.1 | IND A/Negative |
| 3 | Bank of Maharashtra | Term Loan | 124.9 | IND A/Negative |
| 4 | HDFC Bank Limited | Term Loan | 832.5 | IND A/Negative |
| 5 | Punjab National Bank | Non-Fund Based Working Capital Limit | 350 | IND A/Negative / IND A1 |
| 6 | Jammu and Kashmir Bank | Non-Fund Based Working Capital Limit | 100 | IND A/Negative / IND A1 |

| | | | | |
|----|------------------------|--------------------------------------|-------|-------------------------|
| 7 | Punjab National Bank | Fund Based Working Capital Limit | 1800 | IND A/Negative / IND A1 |
| 8 | Jammu and Kashmir Bank | Fund Based Working Capital Limit | 1750 | IND A/Negative / IND A1 |
| 9 | ICICI Bank | Fund Based Working Capital Limit | 750 | IND A/Negative / IND A1 |
| 10 | HDFC Bank Limited | Fund Based Working Capital Limit | 1250 | IND A/Negative / IND A1 |
| 11 | DBS Bank India Limited | Fund Based Working Capital Limit | 600 | IND A/Negative / IND A1 |
| 12 | DCB Bank | Fund Based Working Capital Limit | 550 | IND A/Negative / IND A1 |
| 13 | Federal Bank | Fund Based Working Capital Limit | 1000 | IND A/Negative / IND A1 |
| 14 | Axis Bank Limited | Fund Based Working Capital Limit | 750 | IND A/Negative / IND A1 |
| 15 | ICICI Bank | Non-Fund Based Working Capital Limit | 200 | IND A/Negative / IND A1 |
| 16 | IndusInd Bank Limited | Term Loan | 764.6 | IND A/Negative |
| 17 | NA | Proposed Term loan | 1500 | IND A/Negative |

Complexity Level of the Instruments

| Instrument Type | Complexity Indicator |
|----------------------|----------------------|
| Bank loan facilities | Low |

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Hasti Bhanushali

Senior Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40356171

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Shradha Saraogi

Associate Director

+91 33 40302509

Media Relation

Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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