



## Press Release

### SKL Exports

**August 29, 2025**

#### **Ratings:**

| <b>Instrument / Facility</b> | <b>Amount (Rs. Crore)</b>                                                      | <b>Current Ratings</b>                                | <b>Previous Ratings</b>                                      | <b>Rating Action</b> | <b><u>Complexity Indicator</u></b> |
|------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------|----------------------|------------------------------------|
| Long Term Bank Facilities    | 73.65<br>(Reduced from Rs 96.78 crores)                                        | IVR BBB/ Stable<br>(IVR Triple B with Stable Outlook) | IVR BBB-/ Stable<br>(IVR Triple B Minus with Stable Outlook) | Upgraded             | Simple                             |
| Short Term Bank Facilities   | 137.00                                                                         | IVR A3+<br>(IVR A Three Plus)                         | IVR A3<br>(IVR A Three)                                      | Upgraded             | Simple                             |
| <b>Total</b>                 | <b>210.65</b><br><b>(Rupees Two Hundred and Ten Crore and Sixty-Five Lakh)</b> |                                                       |                                                              |                      |                                    |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

The upgrade of the ratings by Infomerics to the bank facilities of SKL Exports (SKLE) factors the improving scale of operations and profitability, moderate financial risk profile, experienced partners and management, mitigating U.S. tariff risk through domestic expansion and new markets, sustainable manufacturing through renewable energy and diversified customer base and geographical presence.

The ratings, however, are constrained by deteriorating short term solvency ratios, partnership nature of constitution, exposure to export market risks and industry challenges and susceptibility of profitability to raw material price volatility.

The 'Stable' outlook indicates that SKLE is expected to continue to derive benefits out of the vast experience of the promoters, a long-track record of operations and expected improvement in revenue and profitability.

#### **Key Rating Sensitivities:**

- **Upward Factors**



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- Significant growth in the scale of business while maintaining the EBITDA margins more than 16% and other credit metrics at the current level on a sustained basis and
- Improvement in the current ratio to above 1x.
- **Downward Factors:**
  - Decline in revenue and/or profitability impacting the debt protection metrics or
  - Any further deterioration in the current ratio from the present levels.

### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

##### **Experienced partners & management**

The firm is being managed by Mr. Govindasamy N who is the managing partner of the SKLE, and he looks after the day-to-day business activity of the firm. He has four decades of experience in the textile industry and the other partners; management team is having minimum 20 years of experience. Collectively, they have rich experience in the industry and were instrumental in developing the firm. Having operated in industry since years now, the management has established a strong network with suppliers and customers.

##### **Improving scale of operations and profitability**

The firm reported provisional revenue of Rs 406.07 crores in FY25 (Refer period from April 01, 2024 to March 31, 2025), reflecting a 23.84% increase over FY24 (Refer period from April 01, 2023 to March 31, 2024). This growth was primarily attributed to the increase of sales in the domestic market especially from Zudio (buyer). Over the past three years, the firm has registered a CAGR of 13.52%. In FY25, the firm achieved a profit of Rs 56.88 crores, marking a significant improvement of 36.77% compared to FY24. Correspondingly, EBITDA margins improved from 16.94% in FY24 to 18.78% in FY25. The improvement is due to decline in the operational expenses includes power expenses as the firm increased its solar power generating capacity. In 4MFY26, the firm reported revenue of Rs 160.57 crores including green energy income, supported by a healthy order pipeline and strong product demand, providing revenue visibility for FY26.

##### **Moderate financial risk profile:**



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As of March 31, 2024, the firm's overall gearing ratio was 1.01 times. However, this ratio improved in FY25 to 0.77 times. The Total Debt /EBITDA stood at 1.70 times in FY25 as against 2.29 times in FY24 due to improvement in the EBITDA. The interest coverage ratio of the firm has decreased from 4.03 times in FY24 to 3.63 times in FY25 (Provisional) due to increase in interest expenses. The increase in the Gross Cash Accruals (GCA) contributed to a marginal improvement in the Total Debt to GCA ratio, from 2.85 times in FY24 to 2.16 times in FY25. Furthermore, the firm's Debt Service Coverage Ratio (DSCR) decreased but moderate to 2.03x in FY25 from 2.21x in FY24, primarily due to an increase in debt repayment obligations and interest payments. Additionally, the ratio of Total Outside Liabilities to Adjusted Tangible Net Worth (TOL/ATNW) also reflected moderate leverage, decreasing from 1.89 times in FY24 to 1.23 times in FY25.

### **Mitigating U.S. Tariff Risk Through Domestic Expansion and New Markets**

To mitigate the risks arising from the recent imposition of a 50% tariff by the United States on Indian garment exports, SKL Exports has developed a strategic backup plan focused on market diversification and domestic expansion. The United States is the firm's largest export market, and the tariffs are expected to impact margins significantly over the next few years. Notably, exports to the U.S. market had already declined from FY24 to FY25, even before the tariff imposition, indicating a shifting trend in demand or competitiveness. In response, the firm is actively working to strengthen its domestic sales operations and attract new buyers. There is a strong and growing demand from Zudio, with sales expected to increase from Rs 145 crores in FY25 to Rs 210 crores in FY26. As of August 20, 2025, SKL Exports has already achieved Rs 103 crores in revenue from Zudio, contributing to total revenue of Rs 160.57 crores for the first four months of FY26. Also, the firm is in discussion with similar market players. Further supporting its diversification strategy, the firm is planning to expand operations in Sri Lanka through job work arrangements, without any core capital investment. Moreover, SKL Exports stands to benefit from its green energy division, which typically yields higher margins. Collectively, these measures are aimed at reducing the firm's dependency on the U.S. market and cushioning the impact of the prevailing tariff regime.

### **Sustainable Manufacturing Through Renewable Energy**

With increasing demand from customers for carbon-neutral garments, SKL Exports has leveraged its strategic investments in renewable energy to meet sustainability expectations.



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Since 2018, the firm has installed 8 MW of wind power comprising Gamesa and Inox turbines and 25 MW of solar capacity, including 5 MW in Moolanur and 20 MW in Dharapuram. Only 2–3% of the power generated is used for the firm's captive consumption due to the high output. The remaining energy is sold to external parties via Power Purchase Agreements (PPAs). These buyers include associate entities such as spinning mills, dyeing units, fabrication units, knitting units, embroidery units, and printing units, which support SKL Exports' overall production ecosystem. By powering its operations entirely through renewable sources, SKL Exports is able to produce garments that are effectively carbon-neutral, aligning with global sustainability goals and reinforcing its commitment to eco-friendly manufacturing practices.

### **Diversified customer base and geographical presence:**

SKL Exports has built a strong reputation in both export and domestic markets, resulting in a steady flow of orders and strong market visibility. The firm has long-standing relationships spanning over 16 years with key international clients such as O.V.S. SpA (Italy), Marshalls (USA), Ernsting's Family (UK), among others. On the domestic front, the firm has been working with Zudio (India) for the past two years, and this partnership has significantly boosted sales in the current year. These ongoing relationships continue to support the firm's business stability and growth.

### **B. Key Rating Weaknesses:**

#### **Deteriorating short term solvency ratios**

The current ratio of the firm has increased from 0.55x in FY24 to 0.71x in FY25 and standing below unity. The quick ratio is at 0.62x in FY25 increasing from 0.51x in FY24. The current ratio has improved in the current year but still below unity. The liquidity ratios improving to above unity is critical for future years.

#### **Partnership nature of constitution**

Given SKLE's constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm. Moreover, the partnership nature limits firm's flexibility to tap external financing.

### **Exposure to export market risks and industry challenges:**



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SKL Exports, operating in the highly fragmented and competitive textile industry, faces significant risks. The firm remains subject to broader export-related challenges such as shifting global demand, evolving international trade policies, geopolitical tensions, and fluctuating tariffs. As a medium-sized player, SKL Exports lacks the economies of scale enjoyed by larger competitors and remains vulnerable to pricing pressures from low-cost producers, particularly in emerging markets. Additionally, the cyclical nature of the textile industry and intense market competition limit the firm's ability to fully pass on input cost volatility to customers. These factors collectively heighten the firm's exposure to external shocks and underscore the inherent vulnerability associated with its export-driven business model.

### **Susceptibility of profitability to raw material price volatility:**

The garment industry's profitability margins are highly correlated with fluctuations in yarn prices. The raw material (Yarn) is sourced from the local spinning mills. Thereafter, the garments are knitted, and the final product is transported to various locations as per the requirement of the buyer. The firm does not have any long-term contracts with suppliers with regards to either quantity or price. However, it has several years of relationships. The garments industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the firm are susceptible to the volatility in raw material prices.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity: Adequate**

The gross cash accruals of the firm stood at Rs 44.59 crores in FY24 as against loan obligations of Rs 12.59 crores. While in FY25 (Provisional), the GCA stood at Rs 59.88 crores



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as against the loan obligations of Rs 18.91 crores. The firm is expected to generate cash accruals of Rs 67.77 crores in FY26 as against the debt obligation of Rs 33.38 crores. The average working capital utilization for the past twelve months ended July 2025 remained moderate at 50.77%. The current ratio of the firm stood at 0.55x as on March 31, 2024 and 0.71x as on March 31, 2025 (Provisional). The cash and cash equivalents as on March 31, 2024 is Rs 1.71 crores and Rs 1.33 crores as on March 31, 2025 (Provisional).

### About the company

SKL Exports was established as a partnership firm in the year 2003 and is engaged in the manufacturing of hosiery garments and sale of solar and wind energy. The firm's manufacturing facility is located in Tirupur (Tamil Nadu). The firm has in-house processing facilities for knitting, dyeing, cutting, stitching and finishing. The firm has a total installed capacity of manufacturing 67000 pieces of garments in a day and producing 33MW of green energy from windmill and solar units.

### Financials (Standalone):

| For the year ended* / As on | (Rs. Crore) |             |
|-----------------------------|-------------|-------------|
|                             | 31-03-2024  | 31-03-2025  |
|                             | Audited     | Provisional |
| Total Operating Income      | 327.91      | 406.07      |
| EBITDA                      | 55.55       | 76.24       |
| PAT                         | 41.59       | 56.88       |
| Total Debt                  | 127.04      | 129.54      |
| Adjusted Tangible Net worth | 113.07      | 150.66      |
| EBIDTA Margin (%)           | 16.94       | 18.78       |
| PAT Margin (%)              | 12.57       | 13.85       |
| Overall Gearing ratio (X)   | 1.12        | 0.86        |
| Interest coverage (x)       | 4.03        | 3.63        |

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** None

**Rating History for last 3 years:**



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| Sr. No. | Name of Facilities              | Current Ratings (Year 2025-26) |                                |                | Rating History for the past 3 years     |                                         |                                         |
|---------|---------------------------------|--------------------------------|--------------------------------|----------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                                 | Type                           | Amount outstanding (Rs. Crore) | Rating         | Date(s) & Rating(s) assigned in 2024-25 | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 |
|         |                                 |                                |                                |                | <b>Date:</b> June 03, 2024              | -                                       | -                                       |
| 1       | Term Loans                      | Long Term                      | 73.65                          | IVR BBB/Stable | IVR BBB-/Stable                         | -                                       | -                                       |
| 2       | PCFC                            | Short Term                     | 40.00                          | IVR A3+        | IVR A3                                  | -                                       | -                                       |
| 3       | Bills discounting               | Short Term                     | 17.00                          | IVR A3+        | IVR A3                                  | -                                       | -                                       |
| 4       | Bill discounting backed with LC | Short Term                     | 80.00                          | IVR A3+        | IVR A3                                  | -                                       | -                                       |

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Facility details:

| Name of Facility/<br>/Security  | ISIN | Date of Issuance | Coupon Rate/<br>IRR | Maturity Date   | Size of Facility<br>(Rs. Crore) | Rating Assigned/<br>Outlook |
|---------------------------------|------|------------------|---------------------|-----------------|---------------------------------|-----------------------------|
| Term Loans                      | -    | -                | -                   | Up to July 2035 | 73.65                           | IVR BBB/Stable              |
| PCFC                            | -    | -                | -                   | -               | 40.00                           | IVR A3+                     |
| Bills discounting               | -    | -                | -                   | -               | 17.00                           | IVR A3+                     |
| Bill discounting backed with LC | -    | -                | -                   | -               | 80.00                           | IVR A3+                     |

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SKL-Exports-aug25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).