Rating Rationale

October 28, 2025 | Mumbai

Sonaselection India Limited

Rating reaffirmed at 'Crisil BBB / Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.221 Crore (Enhanced from Rs.160 Crore)**
Long Term Rating	**Crisil BBB/Stable (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its rating on the bank loan facilities of Sonaselection India Ltd (SSIL; part of Sona group) at 'Crisil BBB/Stable'.

Revenue grew at a healthy rate of 50% year-on-year to Rs. 413.9 crores in fiscal 2025 (Rs. 276.3 crores for fiscal 2024) by virtue of repeat orders from existing customers supported by increase in offtake from manufacturing. Revenue is expected to further improve to around Rs. 470-480 crores in fiscal 2026 supported by repeat orders and growth from the readymade garment business. Operating margin improved to 17.8% in fiscal 2025 (16.1% in fiscal 2024) and is expected to remain at around 16.5-17% over the medium term. Gearing and total outside liabilities to adjusted networth (TOLANW) moderated to 2.6 times and 3.7 times, respectively as on March 31, 2025 (2.2 times and 2.5 times as on March 31, 2024) on account of debt undertaken for capacity enhancement.

The rating continues to reflect the extensive promoter experience supporting the revenue profile and healthy operating efficiency. These strengths are partially offset by the average financial risk profile, susceptibility to volatility in raw material prices and intense competition.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of SSIL and Sona Styles Limited (SSL) because both the entities, together referred to as the Sona group, have common management, operate in the same industry and have operational and financial linkages.

Unsecured loans of Rs 20.65 crore as on March 31, 2025, have been treated as 75% equity and 25% debt as these are expected to remain in the business in the long term. These loans are non-interest bearing in nature.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers - Strengths

Extensive promoter experience supporting the revenue profile: The promoters have experience of more than 30 years in the textile - weaving, knitting and processing industry through its group entities. The market position has strengthened because of healthy business relationships that have led to repeat orders. Promoters, by leveraging their experience, have shifted their business model from being pure trading entity into manufacturing with FY2024 being the first year of manufacturing operations. Revenue growth remained healthy at around 50% at Rs. 413.9 crores in fiscal 2025 from Rs. 276.3 crores for fiscal 2024 on account of repeat orders from existing customers supported by increase in offtake from manufacturing. Revenue is expected to further improve to around Rs. 470-480 crores in fiscal 2026 supported by repeat orders and growth from the readymade garment business.

Healthy operating efficiency: Operating margin of the group improved to 17.8% in FY2025 as against 16.1% in FY2024 on account of decline in power costs supported by solar plant set up. It is expected to remain at around 16.5-17% over the medium term. Return on capital employed (RoCE) remained comfortable at around 15% in fiscal 2025 and is expected to remain 13-15% going ahead. The working capital cycle of the group stretched as reflected in gross current assets (GCAs) of 248 days as on March 31, 2025 driven by debtor and inventory of 102 days and 159 days. It stretched in FY2025 on account of higher sales with stabilization in the manufacturing operation. Group has changed its business model to manufacturing from purely job processing. GCAs are expected to be around 230-240 days going forward.

Key Rating Drivers - Weaknesses

Average financial risk profile: Networth improved to Rs. 110.1 crores as on March 31, 2025 (Rs. 86.6 crores a year earlier), aided by healthy accretion to reserve and is expected to around Rs 130 crore for the fiscal year ending March 31, 2026. Gearing and TOLANW moderated to 2.6 times and 3.7 times, respectively as on March 31, 2025 (2.2 times and 2.5 times as on March 31, 2024) on account of debt undertaken for capacity enhancement. Gearing and TOLANW are expected to be around 2 times and 3 times, respectively, for the fiscal year ending March 31, 2026 supported by debt repayment and steady accretion to reserves. Debt protection metrics were comfortable, as indicated by interest coverage of 3.2 times and net cash accruals to adjusted debt (NCAAD) of around 0.2 time, in fiscal 2025. Interest coverage ratio and NCAAD are expected to remain at similar level going ahead. In the absence of any major debt-funded capex plan and with consistent accretion to reserve, the capital structure and debt protection metrics are expected to improve over the medium term.

Susceptibility to intense competition and volatility in raw material prices: The textile weaving industry is highly fragmented due to low entry barriers such as limited capital and technology requirements; the consequent intense competition amid little differentiation in end products will continue to constrain scalability, pricing power and profitability. Since the cost of procuring key raw materials (cotton and yarn fabrics, and dyes and chemicals) accounts for a bulk of production cost, even a slight variation in price can drastically impact the operating margin. However, integrated operations support the group's margin.

Liquidity Adequate

Bank limit utilisation was around 79% for the 12 months ended September 2025. Net cash accruals are expected to be Rs. 45-50 crores in FY2026 and around Rs. 50-60 crores per annum over the medium term against its long-term debt repayment obligation of around Rs. 20 crore in FY2026 and Rs. 39-40 crores per annum over the medium term. Current ratio remained moderate at around 1.3 times as on March 31, 2025.

Outlook Stable

The Sona group will continue to benefit from the extensive experience of its promoters and their established relationship with clients.

Rating sensitivity factors

Upward factors:
- Improvement in financial risk profile with TOLANW below 3 times
- Steady revenue growth along with operating margin sustaining at current levels leading to generation of healthy net cash accruals

Downward factors:
- Decline in operating margin to less than 10% leading to lower net cash accruals.
- Any large debt-funded capex or stretch in working capital cycle resulting in contraction of large debt thereby weakening the financial risk profile and/or liquidity

About the Group

SSIL, established in February 2022, processes grey fabrics into finished fabrics at its facility in Bhilwara.

SSL, incorporated in February 2009, manufactures cotton grey fabric, which contributes 95% to the revenue, while the rest 5% comes from selling readymade garments (mainly ladies wear such as gowns, chiffon lehenga, and fabric lehenga). Facility is in Bhilwara (Rajasthan) and readymade garments showroom is in Mumbai.

Mr Subhash Chandra Nuwal, Mr Harshil Nuwal, Mr Dinesh Somani and other family members manage the group

Key Financial Indicators (Consolidated)

Combined			
As on / for the period ended March 31		2025	2024
Operating income	Rs crore	413.9	276.3
Reported profit after tax (PAT)	Rs crore	23.6	19.5
PAT margin	%	5.7	7.1
Adjusted debt/adjusted networth	Times	2.5	2.2
Interest coverage	Times	3.1	3.3

SSIL			
As on / for the period ended March 31		2025	2024
Operating income	Rs crore	316.1	121.1
Reported profit after tax (PAT)	Rs crore	20.4	12.4
PAT margin	%	6.4	10.3
Adjusted debt/adjusted networth	Times	2.5	2.2
Interest coverage	Times	3.8	3.9

SSL			
As on / for the period ended March 31		2025	2024
Operating income	Rs crore	214.3	167.2
Reported profit after tax (PAT)	Rs crore	3.2	7.1
PAT margin	%	1.5	4.2
Adjusted debt/adjusted networth	Times	2.5	2.2
Interest coverage	Times	1.9	2.8

Any other information: Not applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	106.00	NA	Crisil BBB/Stable
NA	Term Loan	NA	NA	31-Mar-28	115.00	NA	Crisil BBB/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Sona Styles Limited	100%	Common management, business and financial linkages
Sonaselection India Limited	100%	Common management, business and financial linkages

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	221.0	Crisil BBB/Stable	27-10-25	Crisil BBB/Stable	30-08-24	Crisil BBB/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	47	State Bank of India	Crisil BBB/Stable
Cash Credit	45	HDFC Bank Limited	Crisil BBB/Stable
Cash Credit	14	Axis Bank Limited	Crisil BBB/Stable
Term Loan	115	HDFC Bank Limited	Crisil BBB/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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