

Thatavarthi Apparels Private Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	59.08	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings for the bank facilities of Thatavarthi Apparels Private Limited (TAPL) is supported by the experienced and resourcefulness of the promoters, improved scale of operations with stable profit margins, established brand presence majorly in Andhra Pradesh and Telangana, healthy relationships with customers and suppliers, and a satisfactory financial risk profile. However, these strengths are partially offset by the working capital-intensive nature of the business due to high inventory holding, exposure to fluctuations in raw material prices, and the highly fragmented and competitive industry landscape.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing revenue by more than 30% y-o-y with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of about 10%.
- Improving operating cycle to below 125 days, strengthening the cashflows from operations.
- Total debt (TD)/gross cash accruals (GCA) improving to 4x or below.

Negative factors

- Any un-envisaged incremental borrowings resulting in an overall gearing ratio of over 1.50x on a continuous basis.
- Notable decline in total operating income (TOI) and PBILDT margin falling below 6%.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects TAPL's ability to sustain its operational performance backed by experience of the promoters and longstanding relationships in the market while maintaining a comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established brand presence in the market

TAPL markets its products under the brand name 'Vilan,' which enjoys a strong presence in the Andhra Pradesh market. With over two decades of experience in Andhra Pradesh and Telangana, the company has expanded its operations across various regions of the country, catering to a pan-India customer base. The group has also established long-term relationships with distributors and traders.

Satisfactory financial performance and credit risk profile

TAPL's scale of operations improved to ₹167 crore in FY24 (PY: ₹153 crore), driven by increased demand from end-customers. The profitability margins remained stable, with PBILDT and PAT margins at 7.93% and 0.85%, respectively (PY: 7.88% and 0.87%).

The company's capital structure remained comfortable, with an overall gearing of 0.88x as of March 31, 2024, although it declined from 0.79x as of March 31, 2023, due to an increase in working capital borrowings. The coverage indicators remained moderate, with TD/GCA and PBILDT/interest coverage at 13.07x and 1.52x in FY24 (PY: 11.71x and 1.58x).

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Healthy relationships with customers and suppliers

The company has been operating in the textile industry for over two decades, fostering strong relationships with both customers and suppliers. TAPL has a diverse customer and supplier network across key states in India. The top five customers account for below 15% of the company's revenue, indicating a well-diversified customer base.

Experienced and resourceful promoters

TAPL belongs to the Vilan group, promoted by T Chandra Shekar Rao. Rao has about four decades of experience in the textile industry and manages the company's operational activities. The company draws strength from its experienced directors and management team, all of whom have extensive expertise in the textile sector. TAPL has consistently received support from its promoters and group companies, both in terms of management guidance and financial assistance whenever necessary

Key weaknesses**Exposure to volatile raw material prices**

The price of cotton yarn, a critical raw material, has experienced significant volatility in the past, which has affected the company's profitability. Cotton and yarn prices are influenced by several factors, including the area under cultivation, monsoon conditions, government export quotas, and the global demand-supply balance, among others. Sudden fluctuations in cotton prices, driven by changes in demand-supply dynamics or government regulations such as the minimum support price (MSP), can lead to price distortions and negatively impact the profitability of businesses throughout the cotton value chain. Due to the inherent risk of volatile raw cotton prices and the highly commoditized nature of the industry, both business and financial performance can be adversely affected

Highly fragmented and competitive nature of industry

The yarn manufacturing industry is highly competitive and fragmented due to the presence of numerous players and a low degree of product differentiation. This results in limited bargaining power for companies within the industry. Additionally, growing competition from emerging markets in Asia further intensifies pressure on both revenue and profitability.

Working capital-intensive nature of business

The business operations of the company are working capital intensive due to higher inventory holding period. The company has average inventory holding of 123 days in FY24 primarily due to the need to maintain inventory across various stages of the process to meet customer requirements. The company receives the payment from its distributors within 90-120 days and from retailer cash and carry basis. In turn the company settles the payment to its suppliers within 45-60 days. To meet the above working capital the company must rely on working capital limits. The average utilisation of the working capital limits for the last 12 months ended January 2025 was 95%.

Liquidity: Adequate

The company's liquidity position is adequate, supported by sufficient accruals and minimal term debt repayment obligations. The resourceful promoters have infused funds as needed. As of March 31, 2024, TAPL had unsecured loans of ₹33.49 crore which are interest bearing, of which ₹32.00 crore is subordinated to bank debt, strengthening the capital structure. The average utilization of working capital limits remained high at 95% over the last 12 months, ending January 31, 2025. Additionally, liquidity is supported by positive CFO of Rs 6.39 crore as on March 31, 2024. Further, the company's current ratio stood at a satisfactory 1.57x as of March 31, 2024.

Assumptions/Covenants- Not Applicable

Environment, social, and governance (ESG) risks- Nil

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Incorporated in 1999, TAPL (erstwhile Thatavarthi Apparels Limited) is promoted by T Chandra Sekhar Rao. It belongs to the Vilan group, which has been manufacturing garments and knitwear for the past two decades. TAPL has its manufacturing facility located at Guntur, Andhra Pradesh, and commenced operations with an installed capacity of 21,000 spindles. It manufactures cotton yarn of counts ranging from 24s to 60s. TAPL is a subsidiary (67.65%) of Seshasayee Knittings Private Limited (SKPL; rated 'CARE BBB-; Stable').

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY2025 (UA)
Total operating income	152.90	167.11	105.04
PBILDT	12.05	13.25	10.15
PAT	1.33	1.42	1.13
Overall gearing (times)	0.79	0.88	0.91
Interest coverage (times)	1.58	1.52	1.46

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	51.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	Aug 2031	8.08	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	8.08	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Jan-24)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB-; Stable (22-Feb-22)
2	Fund-based - LT-Cash Credit	LT	51.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Jan-24)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB-; Stable (22-Feb-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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