

Aathava Garments India Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.18	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	7.00	CARE A3	Assigned
Short Term Bank Facilities	36.00 (Enhanced from 33.06)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Aathava Garments India Private Limited (AGIPL) continue to derive strength from promoters' vast experience in the textile industry, benefits derived as part of the larger Chennai Silks group, and reputed customer base.

However, ratings are constrained by the company's moderate size of operations with a concentrated client base, exposure to volatile raw material prices, and leveraged capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up operations above ₹200 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin over 5.0% on a sustained basis.
- Improving overall gearing below 1.5x.

Negative factors

- Large debt-funded capital expenditure (capex), deteriorating overall gearing above 3.5x.
- Drop in total income to below ₹50.0 crore on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations of the company maintaining healthy relationships with customers with benefits derived as part of the larger Chennai Silks group.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and long operational track record

The company's promoters belong to the Chennai Silks group, which was founded in 1962 by A Kulandaivel Mudaliar and has been operating in the textile business over the last five decades. The group is now run by his seven sons, who run different companies, primarily in jewellery and textile retail. Manickam, one of the brothers, controls two companies – The Madras Silks India Private Limited and AGIPL. Shabari Ekambaram, son of K Manickam, AGIPL's managing director, has over a decade's experience. Manickam, with over three decades of experience in the retailing business, has managed facets of business activities involving purchase, marketing, and sales.

Reputed customer profile, however, concentrated

AGIPL manufactures and exports ready-made garments (RMG) for men, women, and children using 100% cotton fabrics, dyed, plaids, and bio-cotton fabrics. The company's clientele consists of reputed global brands with whom it has long-term relationships. However, top five customers contributed to 90.73% (PY: 87.50%) of total sales in FY24 (FY refers to April 01 to March 31).

Key weaknesses

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

Moderate scale of operations

The company's total operating income (TOI) continued to be moderate at ₹136.29 crore in FY24 albeit improved from ₹91.45 crore in FY23 due to capacity addition and increased domestic demand. The PBILDT margin stood comfortable at 5.49% in FY23 (PY: 5.07%). In 11MFY25, the company reported an operating income of ₹136 crore.

Presence in highly competitive RMG industry

The RMG industry has several players because of low entry barriers, driven by limited capital and easy access to raw materials. Intense competition in this industry is expected to continue exert pricing pressure, majorly impacting profitability.

Leveraged capital structure and debt coverage metrics

The company's capital structure stood leveraged with overall gearing of 3.29x as on March 31, 2024, moderated from 2.58x as on March 31, 2023, due to higher working capital borrowings. Debt coverage metrics also stood moderate with total debt /gross cash accruals (TD/GCA) of 10.44x (PY: 11.79x) as on March 31, 2024.

Exposure to volatile raw materials and forex risk

Cotton yarn, the key raw material of knitting mills, has exhibited high volatility in prices in the past, and impacts the company's profitability. Prices of cotton and yarn are governed by factors such as area under cultivation, monsoons, export quota by government, and international demand-supply situation, among others. With all exports denominated in US Dollar and Indian Rupee depreciating against the US Dollar in the last few years, the company is exposed to foreign exchange risk.

Liquidity: Adequate

The company's liquidity is adequate with sufficient cushion in cash accruals against repayment obligations of ₹2.09 crore in FY25 and moderate cash balance of ₹0.95 crore as on March 31, 2024. The operating cycle remained at 63 days in FY24 against 99 days in FY23, backed up by better flow of inventory and improved collections in FY24. AGIPL's average utilisation of working capital limits stood at 87.21% in the last 12 months ended February 28, 2025. Current ratio stood at 0.94x as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Garments and apparels

Incorporated as a private limited company in July 2006, AGIPL originated from promoters of the erstwhile The Chennai Silks group of concerns. The Chennai Silks group, founded in 1962 by A Kulandaivel Mudaliar, has been operating in the textile business in the last five decades. In FY14, all entities belonging to the Chennai Silks group were demerged among family, with businesses distributed among seven brothers from April 2010.

Based out of Coimbatore, Tamil Nadu, AGIPL manufactures and sells RMG for men, women, and children using 100% cotton fabrics, dyed, plaids, and bio-cotton fabrics. As on February 28, 2025, the company has a capacity of producing ~30 lakh pieces of garments per year.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11mFY25 (UA)
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Total operating income	91.45	136.29	136.00
PBILDT	4.64	7.49	NA
PAT	1.29	3.20	NA
Overall gearing (times)	2.58	3.29	NA
Interest coverage (times)	2.30	2.95	NA

A: Audited UA: Unaudited NA: Not available; 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-Term Loan		-	-	December 2026	5.18	CARE BBB-; Stable
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	36.00	CARE A3
Fund-based - ST-Post Shipment Credit		-	-	-	7.00	CARE A3

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 2025-2026	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
1	Fund-based - ST-Packing Credit in Foreign Currency	ST	36.00	CARE A3	1)CARE A3 (03-Apr-25)	1)CARE A3 (05-Apr-24)	-	1)CARE A3 (27-Mar-23)
2	Fund-based - LT-Term Loan	LT	5.18	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-25)	1)CARE BBB-; Stable (05-Apr-24)	-	1)CARE BBB-; Stable (27-Mar-23)
3	Fund-based - ST-Post Shipment Credit	ST	7.00	CARE A3				

LT: Long term; ST: Short 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-Term Loan	Simple
2	Fund-based - ST-Packing Credit in Foreign Currency	Simple
3	Fund-based - ST-Post Shipment Credit	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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About us:

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