Amaravathi Textiles Private Limited

July 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	74.91 (Reduced from 93.51)	CARE BB+; Stable	Reaffirmed; Outlook revised from Negative
Short-term bank facilities	9.05	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in outlook in ratings assigned to bank facilities of Amaravathi Textiles Private Limited (ATPL) consider improvement in profitability margins in FY25. The profitability improved due to softening prices of raw materials. Ratings are tempered by moderate financial risk profile with modest scale of operations, profitability margins susceptible to fluctuating raw material prices and its stretched liquidity position due to working capital intensive operations, the company's presence in a regulated and fragmented industry. However, the rating derives strength from the experienced and resourceful promoters, improvement in profitability in FY25, availability of captive power plant and the company's established track record with diversified customer and healthy relationship with suppliers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations to above ₹400.00 crore, while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins over 12%.
- Average utilisation of fund-based working capital limits falling below 70% on a sustained basis.

Negative factors

- Increasing overall gearing above 1.50x.
- Reporting losses at PBILDT level.
- Deteriorating liquidity position and/or elongating operating cycle.

Analytical approach: Standalone

Outlook: Stable

Revision in outlook from negative to stable considers improvement in the company's profitability margins in FY25 though the scale remained moderate. The stable outlook considers the management's experience in the business and commitment towards the company evinced from infusion of funds in the company as unsecured loans.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial risk profile

ATPL's total operating income (TOI) declined at a 7.42% compound annual growth rate (CAGR) and dropped 24% year-over-year (y-o-y) to ₹188.54 crore in FY25 due to low demand for hank and cone yarn in domestic and export markets. After reporting losses in the last two consecutive years, it turned profitable with ₹26.77 crore PBILDT and ₹5.18 crore net profit, supported by stabilisation of cotton prices and power costs. Promoters have infused ₹22 crore through unsecured loans to support liquidity. The company's debt profile primarily comprises term loans, unsecured loans and working capital borrowings. The company's overall gearing remained stable and below unity at 0.73x as on March 31, 2025, mainly considering losses in the last two years, leading to depleting net worth while total outside liability to total net worth (TOL/TNW) at 0.94x, and interest coverage improved to 2.20x. total debt to gross cash accrual (TD/GCA) stood at 9.05x, reflecting improved profit and no additional external debt.

Working capital intensive operations

Spinning is primarily a working capital intensive business as raw material availability is seasonal, which results in high inventory holding period. Procurement is primarily on cash basis, which results in high working capital utilisation in the months of availability, which is October to April. ATPL's operating cycle deteriorated from 166 days for FY24 to 240 days in FY25 primarily due to higher inventory days of 279 days in FY25 as ATPL maintains a buffer inventory to meet sudden orders and long processing time,

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

considering several stages in manufacturing. Average working capital utilisation levels were high at 96% for 12-months ended March 2025. Since January 2025, cash credit (CC) limits have been reduced from ₹53 crore to ₹50.7 crore.

Power availability and subsidy from Andhra Pradesh Government on power tariff, which is delayed
The company is entitled to receive incentives under TUFS interest subsidy from GoI, power subsidy reimbursement and input tax credit under Mega Industrial Park Govt. of Andhra Pradesh (AP). The company is eligible for power subsidy since June 2007 for 10 years on units consumed considering new capacities created as part of expansions carried out from 2007-2009, from the state government in Mega Park concessions approved by the AP Government. As on March 31, 2025, subsidy receivable amounts to ₹37.91 crore (interest subsidy of ₹10.88 crore and power subsidy for ₹27.03 crore).

Intense competition in the industry
The spinning industry is highly fragmented and competitive amid presence of several organised and unorganised players. Intense competition in the industry impacts ATPL's pricing flexibility and bargaining power.

Susceptibility of profitability to volatile cotton prices
The company's profitability is susceptible to raw cotton price movements, which is the key raw material for cotton yarn production. Raw cotton prices are volatile and depend on factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota and minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile in the last couple of years, which translates to risk of inventory losses for industry players. Lower production considering lower rainfall in cotton growing states, higher exports of cotton, increased consumption is expected to lead to firm cotton prices.

Key strengths

Experienced and resourceful promoters with established track record
ATPL is promoted by K Srinivasa Rao, who has over three decades' experience and established market relations in knitting and woven yarn markets of South India. His expertise likely contributes to ATPL's success and growth. ATPL operates with 139,728 spindles and 5,376 rotors. These are essential components for yarn production, indicating the company's capacity and scale. Promoters have been actively infusing funds as needed. This financial support is crucial for sustaining operations and expansion.

Favourable location of operations
The company has locational advantage with manufacturing facilities at Guntur, which is one of the prominent cotton-growing belts in AP. The plant is also in proximity to Khammam and Warangal, prominent cotton growing belts in Telangana providing easy off-take. ATPL procures cotton from Guntur, Adilabad, Warangal, and Khammam, among others.

Presence in premium product segment and diversified customer base
ATPL manufactures medium to finer count yarns, including value-added types such as compact, gassed, and mercerised yarn. With a niche product line, it serves a stable customer base and enjoys long-term ties with buyers and suppliers across India mainly from AP, Karnataka, and Telangana. Cotton lint is sourced through sample-based lab testing. Exports remained low at 3.42% total sales in FY25, with revenue driven largely by the domestic market. Forex exposure is managed through forward contracts. Contribution from the top 10 customers declined to 58% in FY25 from 66% in FY24.

Revenue diversification through solar power plant
ATPL has established 10 MW solar plant at a cost of ₹67 crore at Nellorepalem, Nellore (AP) in 2015. The company has entered a long-term power purchase agreement (PPA) with M/s Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) for 25 years at a tariff of ₹5.84 per kWh for the first year of operation and then escalated at 3% every year till 10th year and thereafter the tariff remains constant till 25th year. The company incurs ₹~34 crore on power every year which constitutes around to 18% total cost of sales. In the last two years, there have been significant improvement in receivables from the state DISCOM for its solar power plant.

Improvement in profitability
ATPL's operating profitability exhibited a volatile trend with a PBILDT margin in the range of 2-14% in the last three years ended FY25. It stood comfortable at 14.2% in FY25, with a y-o-y improvement of 999 bps considering moderation in raw material prices though sales realisation remained muted owing to a competitive landscape. Profit after Tax (PAT) margin stood modest considering moderate interest and depreciation costs. Return on capital employed (ROCE) stood modest at 4.1% in FY25 (PY: -0.58%) with a fixed asset turnover of 0.46x in FY25 (PY: 0.6x).

Liquidity: Stretched

Liquidity is stretched, characterised by moderate cash accruals of ~₹15.63 crore against scheduled repayment obligations of ~₹13 crore and a moderate liquid funds balance of ~₹2.17 crore. Working capital utilisation remained high at ~94.07% in the 12-months ending March 31, 2025. The company managed to pay its obligations through unsecured loans from promoters and release of funds from DISCOMS receivables, which resulted in above-unity current ratio of 1.23x and positive cash flow from operations at ₹6.21 crore as on March 31, 2025. An unencumbered cash and bank balance was ~₹0.15 crore as on March 31, 2025.

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
Short Term Instruments
Cotton Textile

About the company and industry

Industry classification

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

Textile Division: Andhra Pradesh based Amaravathi Textiles Private Limited (ATPL) was incorporated in 1983 in Guntur as a cotton spinning unit by K Srinivasa Rao and his family. The promoters started with small capacity of 12,000 spindles in the late 1990s which has grown to 139,728 spindles, 6,096 rotors and 104 gins. ATPL produces cotton yarn in hank and cone forms in the finer counts ranging from 60s to 120s for knitting and weaving. The company also produces open-ended coarse count yarn in counts ranging from 16s to 28s.

Solar Plant: The company has set up a 10 MW solar power plant in AP (vicinity of textile unit) and has entered PPA with Southern Power Distribution Company of AP (CARE C /CARE A4) vide PR dated March 28, 2025, for 25 years at an average tariff of ₹5.84 per unit with escalation of 3% after first year of operation till 10th year and constant thereafter till the 25th year. The solar plant is running at P-90 levels with an average annual CUF ranging from 17-19%.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)	Q1FY25 (UA)
Total operating income	249.20	188.54	N.A.
PBILDT	10.49	26.77	N.A.
PAT	-10.11	5.18	N.A.
Overall gearing (times)	0.73	0.73	N.A.
Interest coverage (times)	0.68	2.20	N.A.

A: Audited UA: Unaudited P: Provisional N.A.: 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-Cash Credit		-	-	-	48.00	CARE BB+; Stable
Fund-based - LT-Funded Interest term Loan		-	-	30-06-2024	0.01	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	30-09-2029	26.90	CARE BB+; Stable
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.30	CARE A4+
Non-fund-based - ST-ILC/FLC		-	-	-	8.75	CARE A4+

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	Non-fund-based - ST-ILC/FLC	ST	8.75	CARE A4+	-	1)CARE A4+ (03-Jul-24)	1)CARE A4+ (09-Jun-23)	1)CARE A3 (05-Jul-22)
2	Fund-based - LT-Funded Interest term Loan	LT	0.01	CARE BB+; Stable	-	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)	1)CARE BBB-; Stable (05-Jul-22)
3	Fund-based - LT-Cash Credit	LT	48.00	CARE BB+; Stable	-	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)	1)CARE BBB-; Stable (05-Jul-22)
4	Fund-based - LT-Term Loan	LT	26.90	CARE BB+; Stable	-	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)	1)CARE BBB-; Stable (05-Jul-22)
5	Non-fund-based - ST-Credit Exposure Limit	ST	0.30	CARE A4+	-	1)CARE A4+ (03-Jul-24)	1)CARE A4+ (09-Jun-23)	1)CARE A3 (05-Jul-22)

LT: Long term; ST: Short term; LT/ST: Long term/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-Cash Credit	Simple
2	Fund-based - LT-Funded Interest term Loan	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple
5	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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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