GHCL Textiles Limited

July 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	5.89 (Reduced from 17.21)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	500.00	CARE A-; Stable/ CARE A2+	Reaffirmed
Short-term bank facilities	100.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of GHCL Textiles Limited (GTL) continue to derive strength from experience of its promoters in the textile industry and long and established operational track record of the erstwhile yarn division of GHCL Limited (GHCL; rated 'CARE AA-; Stable/ CARE A1+'), which was demerged into GTL effective April 01, 2023. Ratings are further supported by GTL's well-established and diversified customer base, healthy capacity utilisation, and high share of captive power consumption through renewable sources. GTL's strong net worth base and its strong liquidity further underpin its ratings.

However, ratings are tempered by its moderate profitability margins and low fixed asset turnover, which result in thin return on capital employed (ROCE). Despite expected improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin, ROCE is likely to remain modest in the near-to-medium term. Ratings also remain constrained on account of susceptibility of its profitability to volatility in raw material prices and foreign exchange rate fluctuations and its presence in the cyclical and fragmented textile industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in the PBILDT margin to ~14% leading to improvement in ROCE.

Negative factors

- Deterioration in its total debt/PBILDT beyond 2.5x on a sustained basis.
- Significant elongation in its operating cycle, thereby adversely impacting its liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that GTL will continue to maintain its high-capacity utilisation, comfortable capital structure and debt coverage indicators.

Detailed description of key rating drivers:

Key strengths

Experience of promoters in textile industry

After the retirement of Mr Rajappan Balakrishnan, GTL appointed Mr. Marshal Sonavane as CEO, who holds a degree in Mechanical Engineering from BITS Pilani and an MBA from XLRI Jamshedpur. He has experience of over 14 years and looks after the company's overall operations. Ravi Shanker Jalan (MD of GHCL) and Raman Chopra (CEO & Executive Director-Finance, GHCL) are GTL's directors, who have been facilitating healthy and steady growth of operations. GTL's in-house team also consists of experienced professionals, who have guided the yarn business successfully through economic cycles.

Long and established track record of operations

Started in 2002, GHCL's erstwhile yarn division (presently GTL) has a track record of over two decades of operations in the textile industry. Over the years, the company expanded its operations to include open-end yarns, ring-spun yarns, blended yarns and fabrics. In July 2025, GTL added ~25,000 ring spindles (13% of existing capacity). Presently, it has capacity of ~225,000 ring spindles, 3,320 rotors, 480 vortex and 5,760 TFO Spindles with a balanced mix of cotton and synthetic yarn in its portfolio. GTL's manufacturing infrastructure was established with machineries from reputed suppliers i.e. Rieter (Switzerland), Schlafhorst (Germany), Savio (Italy), Murata (Japan) and Trueztschler (Germany) among others.

Reputed and diversified customer base

Over the years, GTL has refined its product and customer base with an increase in share of premium quality yarn in total sales. The company's customer base is diversified with top 10 customers accounting for 33% of its total income in FY25 (PY: 34%). GTL's customers include reputed companies such as Raymond Limited (rated 'CARE AA- (RWD)'), Arvind Limited (rated 'CARE AA-

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

; Stable/ CARE A1+'), Indo Count Industries Limited (rated 'CARE AA-; Positive/ CARE A1+'), and Shahi Exports Private Limited, among others. The company enjoys healthy relationship with these customers and receives repeat orders from them. Hence, GTL is expected to maintain customer diversification in the medium term. GTL has also increased its focus on geographical diversification and witnessed growth in its export revenue in the last few years. GTL derived ~16% of its revenue from export market in FY25 compared to 6% in FY21.

High operating efficiency backed by healthy capacity utilisation and high share of captive power consumption
GTL has consistently operated its installed capacity over 90% in the last three years ended FY25. In FY25, company ramp up production of additional capacity backed by increased demand, maintaining capacity utilisation levels on y-o-y basis. GTL currently has 62 MW of renewable power capacity for captive use, meeting ~72% (FY24: ~71%) of its energy requirements and helping lower average power costs.

GTL's revenue in FY25 grew by ~10%, primarily driven by a ~12% rise in sales volumes. This growth was supported by successful ramp-up of production from newly added capacities, underpinned by strong customer relationships and a diversified, quality-focused product portfolio, resulting in a high-capacity utilisation of ~99% during the year. PBILDT margin improved from 8.14% in FY24 to 9.71% in FY25, largely due to higher operating leverage and stable raw material costs. Despite improvement, it continues to remain lower than its historical average.

CareEdge Ratings anticipates revenue to grow by ~10% in FY26 supported by capacity expansion. PBILDT margin is expected to gradually improve to 11%–13% in the medium term.

Comfortable capital structure and debt coverage indicators
GTL had a strong net worth base of ₹1,437 crore as on March 31, 2025. The company's capital structure has remained comfortable over the years. As on March 31, 2025, overall gearing and total outside liabilities to tangible net worth (TOL/TNW) ratio stood at 0.04x (PY: 0.05x) and 0.09x (PY: 0.09x) respectively. Debt coverage indicators marked by interest coverage and total debt/PBILDT improved and remained comfortable in FY25 at 29.97x (PY: 10.86x) and 0.56x (PY: 0.83x), respectively.
CareEdge Ratings expects GTL's capital structure to remain comfortable backed by strong net worth base and accretion of profits to reserve. CareEdge Ratings expects GTL's debt coverage indicators to remain comfortable backed by improvement in profitability and cash accruals and lower reliance on external debt.

Liquidity: Strong
GTL has strong liquidity marked by expectation of healthy cash accruals against low term debt repayment obligations. The company is projected to generate annual cash accruals of ₹110–₹150 crore in the medium term, comfortably covering its negligible term debt repayments of ₹4 crore in FY26 and ₹3 crore in FY27. GTL is undertaking capex of ~₹100 crore in FY26, which is expected to be funded through internal accruals. With an overall gearing of 0.04x as of March 31, 2025, GTL has sufficient gearing headroom to raise debt if required. The company's undrawn fund-based working capital limit of over ₹200 crore is expected to be more than adequate to meet its incremental working capital needs in the next one year. GTL has strong current ratio of 3.52x as of March 31, 2025.

Key weaknesses
Low return indicator
With continued moderate operating profitability margin and low fixed assets turnover, return indicator marked by ROCE remained low at ~4% in FY25 (FY24: 3%). Moreover, despite expected improvement in the operating profitability, CareEdge Ratings expects the ROCE to remain ~5%- 7% in the medium term.

Susceptibility to volatility in raw material prices and foreign exchange rate fluctuations
The basic raw material consumed by GTL to produce yarn is raw cotton, which accounts for ~70% of the total revenue. The raw cotton prices are volatile in nature and depends upon factors such as area under production, yield for the year, vagaries of the monsoon, international demand-supply scenario, inventory carry forward from the previous year and minimum support price (MSP) decided by the government. Raw cotton prices have been volatile in the last couple of years, which translates into risk of inventory losses for industry players; though at times it also leads to inventory gains. Collectively, these factors and intense competition in the industry, contribute to low bargaining power of yarn manufacturers and volatile profitability. GTL is also exposed to foreign currency rate fluctuation as the company derives ~16% of its revenue from the export market while it imports 20%-25% of its raw material requirement. Thus, the company's profitability margins remain susceptible to adverse movement in the foreign exchange rate. However, GTL has a policy to hedge its foreign currency exposure through forward contracts, mitigating forex exposure to an extent. GTL hedges 100% of its imports (rolling three months hedge) and over 50% of its exports on a gross basis.

Presence in fragmented, cyclical and competitive textile industry
GTL operates in a cyclical and fragmented textile industry marked by presence of many organised and unorganised players leading to high competition in the industry. Apart from this, capacity additions by large players and the commoditised nature of cotton yarn also limits pricing ability of industry players to an extent. The textile industry is inherently cyclical in nature and closely follows macroeconomic business cycles. Raw materials and finished goods prices are also determined by global demand-supply scenario, hence shift in macroeconomic environment globally also impacts the domestic textile industry.

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 & apparels	Other textile products

GTL was incorporated in June 2020 to take over the erstwhile textile division (home textile and yarn division) of GHCL. However, GHCL divested its home textile in April 2022 by way of slump sale to Indo Count Industries Limited. Subsequently, GHCL announced a scheme of de-merger of its yarn division located at Madurai, Tamil Nadu into GTL. The scheme became effective w.e.f. April 01, 2023. GTL became a separately listed company on the stock exchange under the automatic route. On April 08, 2023, shareholders of GHCL became shareholders of GTL. Presently, GTL has an installed capacity of ~2,25,000 ring spindles.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Total operating income	1,056	1,163
PBILDT	86	113
PAT	25	56
Overall gearing (times)	0.05	0.04
Interest coverage (times)	10.86	29.97

A: Audited; 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	-	-	-	31-12-2027	5.89	CARE A-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	500.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-Letter of credit	-	-	-	-	100.00	CARE A2+

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/Non-fund-based-LT/ST	LT/ ST	500.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (04-Jul-24)	1)CARE A-; Stable / CARE A2+ (02-Jun-23)	-
2	Fund-based - LT-Term Loan	LT	5.89	CARE A-; Stable	-	1)CARE A-; Stable (04-Jul-24)	1)CARE A-; Stable (02-Jun-23)	-
3	Non-fund-based - ST-Letter of credit	ST	100.00	CARE A2+	-	1)CARE A2+ (04-Jul-24)	1)CARE A2+ (02-Jun-23)	-

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-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - ST-Letter of credit	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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Krunal Pankajkumar Modi Director **CARE Ratings Limited** Phone: 079-40265614 E-mail: krunal.modi@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Akshay Dilipbhai Morbiya Assistant Director **CARE Ratings Limited** Phone: 079-40265619 E-mail: akshay.morbiya@careedge.in Naman Doshi Analyst **CARE Ratings Limited** E-mail: Naman.doshi@careedge.in

About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information, please visit www.careratings.com