Riba Textiles Limited

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	29.00	CARE BBB (RWN)	Placed on Rating Watch with Negative Implications
Long Term / Short Term Bank Facilities	65.00	CARE BBB / CARE A3+ (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Riba Textiles Limited (RTL) are placed under 'Credit Watch with Negative Implications' following the recent imposition of a 50% tariff by the U.S. Government on select imported goods, including Textiles and Apparels. RTL derives a significant portion of its revenue from exports, with the U.S. being a key contributor (around 30% of total exports) to its total operating income. The Credit Watch reflects uncertainty around the sustainability of current export volumes, possible margin pressures due to pricing renegotiations, and the evolving U.S. trade policy landscape. CARE Ratings will continue to monitor the developments and assess the impact on RTL's operational and financial performance of the company once more clarity emerges on the same.

The ratings also take cognizance of the stable operational performance of the company coupled with its moderate working capital requirements. The ratings also derive strength from the long-standing experience of its promoters as reflected in its diversified and reputed client base. The ratings further take comfort from average financial risk profile of the company marked by comfortable capital structure and moderate debt coverage indicators along with an adequate liquidity position. The ratings strengths are however offset by the presence of the company in a highly competitive industry, thereby, limiting its bargaining power. The ratings are further constrained by the susceptibility of margins to foreign exchange fluctuations risk and the geographical concentration risk faced by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations beyond Rs. 300 crores with ROCE of around 13% on a sustained basis.
- Improvement in the capital structure of the company marked by Total Debt/ PBILDT below 3.00x on a sustained basis

Negative factors

- Any significant unplanned capex deteriorating the capital structure of the company marked by an overall gearing of above 1.00x
- Deterioration in the working capital cycle of the company due to increase in collection period beyond 70 days on sustained basis

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of key rating drivers:

Key strengths

Stable operational performance

The total operating income of the company stood at Rs 295.86 crores for FY25 growing at a CAGR of ~12% for the last five financial years. The growth was primarily driven by addition of new customers along with further stabilisation in the existing markets. Out of the total looms of the company, 48 are new air jet looms which give an efficiency of 85-90% but the older rapier looms are no longer as efficient and give an average efficiency of 50%. Hence the average capacity utilisation stands at 75%. The company expects the scale of operations to improve as the new air jet looms would be fully operational from FY26 onwards. Furthermore, the company has achieved a topline of Rs. 50.25 crores in Q1FY26.

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

The PBILDT margin of the company has remained in the range of 6-8% for the last five financial years. Profitability margins are further expected to improve slightly because of the increased production capability that would be functional from FY26 along with similar cost structure.
Furthermore, the company is focusing on the Middle east and the United Kingdom (UK) market, with particular focus on the UK market post the signing of Free Trade Agreement (FTA) between and India and UK. The onboarding of new customers is further expected to improve the operational performance of the company going forward. The company is also expanding its product line to manufacture jacquard products, and the expects the current customer base to absorb the demand for the same.

Established client base albeit geographical concentration risk
RTL caters to various leading and established brands across the globe. The company has been engaged primarily in the export of its products to mainly the United States and Latin America. RTL caters to leading international brands and retail chains some of whom have been associated with the company for almost a decade. The top ten clients of the company contributed approximately 36% of the TOI in FY25, thereby negating any client concentration risk which is also supported by repeat orders and long relationship with the clients.
RTL has an established presence in the export market with the company generating majority of its revenue from exports (88% of the total operating income in FY25). However, the company faces geographical concentration risk since the top 10 countries of export account for 77% of the total operating income of the company for FY25 as compared to 64% in FY24. Out of all the export destinations, United States alone accounts for 28% of the revenue share of the company in FY25 as compared to 25% in FY24. However, the company has been partially offsetting its geographical concentration risk by diversifying away from the United States market and focusing more on the European and the Australian market to mitigate the potential impact of the imposed tariffs.
Company's ability to diversify its customer base across geographies, thereby resulting in reduced geographical concentration will remain a key monitorable from credit perspective.

Moderate working capital requirement
Despite operating in a highly working capital-intensive Industry, the working capital cycle of the company has remained moderate over the last five fiscals, staying in the range of 70-90 days. The moderate operating cycle of the company is due to slight increase in collection period, which has increased from 42 days as on March 31, 2020, to 53 days as on March 31, 2025. The increase in the collection period of the company has primarily been because of the increased exposure towards TJ Maxx. However, both the collection period and the overall operating cycle of the company have improved in FY25 standing at 53 days and 75 days respectively as on March 31, 2025. The inventory holding period of the company remained moderate at 39 days as on March 31, 2025 (PY: 43 days). The creditors days of the company also stood moderate at 17 days as on March 31, 2025 (PY: 20 days).

Moderate financial risk profile
The capital structure of the company remained comfortable as marked by overall gearing ratio stood at 063x as on March 31, 2025, against 0.76x in previous year. The total debt of the company stood at Rs. 61.39 crores as on March 31, 2025. (PY: Rs. 67.68 crore), including term loans amounting to Rs. 18.36 crore, Rs. 35.65 crore working capital borrowings and Rs. 6.36 crore unsecured loan from promoters. The TDGCA ratio and the Interest Coverage Ratio of the company stood at 4.22x and 3.78x respectively as on March 31, 2025, as compared 4.22x and 3.78x respectively as on March 31, 2024. However, the debt coverage indicators are expected to moderate going forward since the company would be taking on additional term debt in order to meet its capex requirement.

Key weaknesses
Susceptibility of profitability to volatile raw material prices
Material cost formed around 68% of the total cost of sales for the company during FY25. These primarily include cotton, cotton yarn, dyes and chemicals and other raw materials. The key raw materials of the company are cotton and cotton yarn, the prices of which have remained volatile in the past. This exposes the profitability margins of the company to raw material price volatility risk. However, the overall demand scenario, inventory holding policies, competition, among other factors, determines the ability of the company to pass on any fluctuation in the raw material prices. Furthermore, the global demand for home textiles determines the extent to which raw material prices can be passed on to the customers.

Foreign exchange fluctuation risk
RTL derived around 88% of its total revenue in FY25 (PY: 88%) from exports. During FY25, the foreign exchange earning stood at Rs.262.36 crore (PY: Rs. 213.11 crore), against minimal foreign exchange outgo. The company does not enjoy a natural hedge due to limited imports. The primary currency of dealing is the US dollar. For hedging export receivables, RTL takes forward cover

for maturity up to 6-12 months. The company has booked forward contracts with both its lenders, i.e. State Bank of India and Kotak Mahindra Bank. The company booked foreign exchange profit of Rs. 0.02 crores as on March 31, 2025

Inherent risk in the textile industry
RTL operates in an inherently cyclical and competitive textile industry. Any adverse changes in the global economic outlook as well as the demand-supply scenario directly impacts demand of the industry and therefore RTL. Factors like change in government policies, availability of labour etc. also impact the operations of the company. Furthermore, RTL is also exposed to competition from domestic and foreign players.

Liquidity: Adequate
The liquidity position of the company remained adequate with a free cash and bank balance of Rs. 2.54 crore as on March 31, 2025. Further, expected gross cash accruals for FY26 stand at approximately Rs. 16-17 crores against debt repayment obligations of Rs. 8.00 crores. The current ratio and quick ratio of the company stood at 1.71x and 1.08x respectively as on March 31, 2025, as compared to 1.33x and 0.92x respectively as on March 31, 2024. The high working capital requirements are largely met though bank borrowings and average utilization for last twelve months ended August 2025 stood at ~90%.

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
Textile

About the company and industry

Industry classification

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

Riba Textiles Limited (RTL) is an export-oriented Terry Towels and Tufted Rugs manufacturing unit based 100 kms from New Delhi in the state Of Haryana. RTL has a current manufacturing capacity of 8000 Metric Tonnes. The production unit encompasses 24 acres of land with a built-up area of 10,00,000 square feet. RTL is a fully integrated unit with a composite plant incorporating Dyeing, Weaving, Finishing, Sublimation, Shearing Embroideries and Tufting.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Abridged)	Q1FY26 (UA)
Total operating income	246.89	295.86	50.25
PBILDT	19.74	22.25	3.32
PAT	7.92	8.50	0.72
Overall gearing (times)	0.76	0.63	NA
Interest coverage (times)	4.25	3.78	1.81

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2029	29.00	CARE BBB (RWN)
Fund-based - LT/ ST-Working Capital Limits		-	-	-	65.00	CARE BBB / CARE A3+ (RWN)

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 - LT/ ST-Working Capital Limits	LT/ST	65.00	CARE BBB / CARE A3+ (RWN)	1)CARE BBB; Stable / CARE A3+ (04-Jul-25)	1)CARE BBB; Stable / CARE A3+ (09-Jul-24)	-	-
2	Fund-based - LT-Term Loan	LT	29.00	CARE BBB (RWN)	1)CARE BBB; Stable (04-Jul-25)	1)CARE BBB; Stable (09-Jul-24)	-	-

LT: Long 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 - LT/ ST-Working Capital Limits	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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About us:

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