Harikesh Chaudhary (Proprietor of Toshi Fabrics)

December 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	10.00	CARE B; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Harikesh Chaudhary (Proprietor of Toshi Fabrics) (HC) remained constrained due to nascent stage of operations with thin profitability margins, low net worth and stretched liquidity position. It further remained constrained due to its presence in highly fragmented and competitive industry, susceptibility of profit margins to volatility in raw material and foreign exchange fluctuation risk and proprietorship nature of constitution. However, rating derives strength from experience of proprietor in textile industry and favourable location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked total operating income (TOI) above Rs.25 crore and maintaining profitability
- Improvement in overall financial risk profile along with augmentation of net worth

Negative factors

- Decline in Total Operating Income (TOI) by 20% or more with cash losses on sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that firm shall benefit from the long-standing experience of its proprietor in the textile industry.

Detailed description of key rating drivers:

Key weaknesses

Nascent stage of operations

The operations were at nascent stage as the firm commenced operations from July 2024. HC reported TOI of Rs.11.01 crore in during 9MFY25 with thin profitability marked by PBILDT margin and PAT margin of 1.92% each for FY25 due to absence of depreciation and finance cost with nil outstanding debt as on March 31, 2025. Further, tangible net worth remains at Rs.0.14 crore as on March 31, 2025. Further, it reported TOI of Rs.7.03 crore in H1FY26. CareEdge Ratings expects improvement in total operating income with stabilization of operations.

Presence in highly fragmented and competitive industry

The firm operates in the textile industry, with exposure towards the denim industry. The denim fabric industry is highly cyclical in nature, with periods of excess capacity, followed by tight demand-supply conditions. The industry is highly fragmented with the presence of both large and small players operating in the industry, which results in limiting the bargaining power of the firm.

Susceptibility of profit margins to volatility in raw material and foreign exchange fluctuation risk

The denim industry faces significant raw material price volatility, primarily due to its heavy reliance on cotton, which constitutes 55–85% of denim fabric and accounts for 35–50% of production costs. Cotton prices fluctuate because of climate disruptions (e.g., droughts reducing yields), geopolitical tensions, and global demand-supply imbalances. HC's operating margins are therefore critically dependent on its ability to pass on the fluctuation in its raw material to its customers. Since, the firm was established in June 2024, its FY25 turnover was entirely from domestic sales. However, in H1FY26, nearly 70% of total sales were exports, exposing the company to foreign exchange currency risk.

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

Proprietorship nature of constitution

HC is a proprietorship firm, exposed to inherent risk of capital being withdrawn at time of personal contingency, and firm being dissolved upon the death/retirement/insolvency of proprietor which may affect the firm's financial flexibility. It has restricted access to external borrowings where net worth as well as creditworthiness of the proprietor are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the firm.

Key strengths

Experienced Proprietor

HC was founded by Mr. Harikesh Chaudhary, with over a decade of experience in the textile industry. Prior to HC, he operated as a commission agent for multiple textile companies, facilitating sales and distribution of denim fabrics on their behalf. He also worked in a reputed textile mill for around 15 years since 2006. His extensive background has equipped him with a strong understanding of fabric innovation, supply chain management, and customer-centric solutions.

Favourable location

HC operates from Surat, Gujarat which is a textile hub. Being strategically located, it ensures a steady supply of essential denim fabric. Its proximity to key ports, combined with an efficient transportation network, reduces logistics costs and boosts operational efficiency. Additionally, the city's well-established industrial ecosystem and extensive supplier base make it a cost-effective and dependable hub for seamless procurement and supply chain management.

Liquidity: Stretched

HC's liquidity position remained stretched. It reported cash accruals of Rs.0.21 crores in FY25. Cash and bank balance remained at Rs.0.52 crore as on March 31, 2025. It has nil debt as on balance sheet date. However, it has proposed for working capital limit of Rs.10 crore, which is expected to be sanctioned in December 2025. Current ratio and quick ratio remained at 1.10x each for FY25.

Applicable criteria

- Definition of Default
- Liquidity Analysis of Non-financial sector entities
- Rating Outlook and Rating Watch
- Financial Ratios – Non financial Sector
- Short Term Instruments
- Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Harikesh Chaudhary (Proprietor of Toshi fabric) (HC), operating from Surat, was founded in June 2024. It is engaged in wholesale trading business of denim fabrics for both domestic and international markets. It primarily focuses on bulk supply of diverse grades and qualities of denim fabrics, serving garment manufacturers, exporters, and wholesalers. In addition to direct trading, it operates as a commission agent for multiple textile companies, facilitating sales and distribution of denim fabrics on their behalf.

Brief Financials (₹ crore)	March 31, 2025 (UA)*	H1FY26 (UA)
Total operating income	11.01	7.03
PBILDT	0.21	NA
PAT	0.21	NA
Overall gearing (times)	0.00	NA
Interest coverage (times)	0.00	NA

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

*Operations commenced from July 2025

PBILDT: Profit before interest, lease rentals, depreciation and tax

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/Non-fund-based-LT/ST		-	-	-	10.00	CARE B; Stable / 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	Fund-based/Non-fund-based-LT/ST	LT/ST	10.00	CARE B; Stable / CARE A4				

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/Non-fund-based-LT/ST	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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