

GHCL Textiles Limited

January 21, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	500.00	CARE A; Stable/ CARE A1	Upgraded from CARE A-; Stable/ CARE A2+
Short-term bank facilities	100.00	CARE A1	Upgraded from CARE A2+
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has upgraded ratings assigned to bank facilities of GHCL Textiles Limited (GTL), factoring the sustained improvement in operating and financial performance in FY25 (FY refers to April 01 to March 31) and H1FY26. Operating profitability (profit before interest, lease rentals, depreciation and taxation [PBILDT]) grew by 31% and 20% in FY25 and H1FY26, respectively, supported by 9% and 12% sales volume growth in the same period. The sales volume growth in H1FY26 was supported by quick ramp-up of additional 25,000 spindles commissioned in June 2025. CareEdge Ratings expects GTL to sustain PBILDT margin of ~11% in near-to-medium term. The upgrade in ratings also factors in continued strong financial risk profile marked by healthy net worth base and minimum reliance on external debt leading to comfortable debt coverage indicators and strong liquidity.

Ratings continue to draw strength from the promoter's extensive experience in the textile sector and the long-standing operational track record of erstwhile yarn division of GHCL Limited (GHCL; rated 'CARE AA-; Stable/ CARE A1+'), which was demerged into GTL, effective April 1, 2023. Ratings are further supported by GTL's well-established and diversified customer base, high operational efficiency with healthy capacity utilisation, and significant captive renewable power capacity. CareEdge Ratings expects sales volume growth to remain ~10-12% in near-to-medium term despite global headwinds. CareEdge Ratings does not expect material adverse impact on the sales volume of yarn due to imposition of 50% tariff on Indian goods by US Government.

However, ratings are constrained by its modest fixed asset turnover and subdued return on capital employed (ROCE). Despite expected improvement in PBILDT margin, ROCE is likely to remain modest in the near-to-medium term. GTL's profitability margin also remains exposed to raw material price volatility, foreign exchange fluctuations, and the inherent cyclicity and fragmentation of the textile industry.

CareEdge Ratings has withdrawn the rating on long-term bank facilities based on a No Dues certificates, as the term loans have been fully repaid and there is no outstanding as of date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations with 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

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

Growing scale of operations with sustained improvement in PBILDT margin

GTL's total revenue in FY25 grew by ~10%, primarily driven by a ~9% rise in sales volumes supported by successful ramp-up of production from newly added capacities. In H1FY26, GTL's revenue grew by ~2% y-o-y, supported by a 12% rise in sales volumes despite global headwinds. The higher sales volume growth was partially off-set by decline in average sales realisation of yarn in-line with decline in raw cotton prices. Volume growth was driven by strong domestic demand and quick ramp-up of ~25,000 spindles commissioned in June 2025.

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

There has been a sustained improvement in PBILDT margin from ~8% in FY24 to ~10% in FY25. In H1FY26, PBILDT registered a strong growth of ~20% y-o-y, while PBILDT margin improved to 11.03% in H1FY26 compared to 9.37% in H1FY25 (FY25: 9.71%), supported by volume growth and improved product mix.

CareEdge Ratings expects Q3FY26 performance to remain largely in line with Q2FY26 despite elevated US tariff on Indian goods. GTL is also undertaking capex for ~10 MW of solar capacity and addition of 40 knitting machines in a phased manner, with Phase I of knitting machines is expected to commence in Q4FY26. This capex is expected to aid forward integration, revenue growth and profitability in the near-to-medium term.

CareEdge Ratings expects GTL's revenue to grow by ~10% in FY26, while PBILDT margin is expected to gradually improve to 12–13% in the medium term.

Experience of Management team in textile industry

GTL's management team is experienced and professionally qualified. Mr. Marshal Sonavane, Chief Executive Officer, holds a degree in Mechanical Engineering from BITS Pilani and an MBA from XLRI Jamshedpur. He has over 14 years of experience and oversees the overall operations of the company. Mr. M. Parasuraman, Chief Financial Officer (CFO), is a Chartered Accountant with 16 years of experience. Additionally, Mr. Ravi Shanker Jalan, Managing Director of GHCL, and Mr. Raman Chopra, CEO and Executive Director – Finance at GHCL, serve as directors on GTL's board, providing strategic oversight to ensure sustainable growth. Post demerger, GTL has revamped and strengthened its Board. The company is further supported by an experienced in-house team that has navigated multiple economic cycles.

Long and established track record of operations

GTL, originated as GHCL's yarn division in 2002, has an operational track record of over two decades in the textile industry. Over time, it has diversified into open-end yarns, ring-spun yarns, blended yarns, and fabrics. The company operates with a capacity of ~225,000 ring spindles, 3,320 rotors, 480 vortex machines, and 5,760 TFO spindles, offering a balanced mix of cotton and synthetic yarns. Its manufacturing infrastructure includes machinery from global suppliers such as Rieter (Switzerland), Schlafhorst (Germany), Savio (Italy), Murata (Japan), and Truetzschler (Germany).

Reputed and diversified customer base

Over the years, GTL has strengthened its product and customer base, increasing the share of premium-quality yarn in overall sales. Its customer base is well diversified, with the top 10 customers contributing ~30–35% of TOI, reducing concentration risk.

GTL's clientele comprises reputed players such as Arvind Limited (rated 'CARE AA-; Stable / CARE A1+'), Raymond Limited and Shahi Exports Private Limited among others. GTL enjoys long-standing relationships with these customers, reflected in repeat orders and stable off-take, which is expected to support revenue stability and customer diversification in the medium term. Additionally, GTL has increased its focus on geographical diversification, with exports contributing ~15% of the total revenue.

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. GTL has commissioned ~25,000 spindles in June 2025 and quickly ramp up the same to ~90% by end of September 2025, while maintaining almost full utilisation of existing capacity.

The company operates 62 MW of captive renewable energy capacity, meeting ~72% of its energy requirements, which helps reduce power costs and supports sustainability initiatives.

Comfortable capital structure and debt coverage indicators

GTL had a strong net worth of ₹1,437 crore as on March 31, 2025 (PY: ₹1,386 crore). The company's capital structure has remained comfortable over the years aided by strong net worth base and low reliance on external borrowings. 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. In 9MFY26, GTL prepaid its entire outstanding term loan, further strengthening its balance sheet.

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. Going forward, GTL's capital structure and debt coverage metrics are expected to remain comfortable over the near-to-medium term in the absence of debt-funded capex plans.

Key weaknesses

Low return indicator

The return indicator, marked by ROCE remained low at ~4% in FY25 (FY24: 3%), mainly due to moderate operating profitability margin, a longer operating cycle and lower fixed asset turnover. Lower fixed asset turnover is driven by sustained capacity expansion and renewable energy assets of ~₹270 crore as on March 31, 2025.

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 the raw material prices and foreign exchange rate fluctuations

Raw cotton is the key raw material for GTL's yarn manufacturing operations, accounting for ~70% of TOI. Cotton prices are inherently volatile, influenced by factors such as acreage, yield levels, monsoon conditions, inventory carryover, government-determined minimum support price (MSP), and global demand–supply dynamics. Cotton prices have shown significant volatility in recent years, posing a risk of inventory losses for yarn manufacturers, albeit at times, it also leads to inventory gains. Volatility in raw material prices, combined with intense competition in the yarn industry, limits manufacturers' bargaining power and leads to fluctuations in profitability.

Additionally, GTL faces foreign exchange risk, with exports contributing ~15% of revenues and imports accounting for 20–25% of raw material requirements. 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.

With imposing of the 50% tariffs on Indian goods by the US Government, revenue and profitability of players in home textiles and garments have impacted. However, revenue and profitability of mid to large-sized Indian yarn manufacturers remain relatively insulated, with Indian yarn exports remaining largely stable y-o-y basis. This resilience is driven by strong domestic demand for textile products and realignment of export demand of textile products across diversified export destinations. Key textile exporters, such as Bangladesh and China, continue to rely on imported cotton yarn, ensuring sustained demand for Indian spinners. This has helped GTL to remain largely unaffected by trade-related disruptions so far, while its robust financial risk profile positions it well to absorb potential adverse effects from evolving global trade uncertainties.

Liquidity: Strong

GTL's liquidity remains strong, supported by expectation of healthy cash accruals and absence of term debt repayment obligations. The company is expected to generate annual cash accruals of ₹110–150 crore over the medium term. GTL is expected to incur annual capex of ~₹100-125 crore in medium term, which is expected to be funded through internal accruals. With an overall gearing of 0.04x as on March 31, 2025, GTL has sufficient gearing headroom to raise debt if required. Additionally, liquidity is further supported by undrawn fund-based working capital limits of over ₹200 crore, which 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 on March 31, 2025 and 4.18x as on September 30, 2025.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and 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 at Madurai, Tamil Nadu, into GTL. The scheme became effective on 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 ~225,000 ring spindles.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	1,056	1,163	606
PBILDT*	86	113	67
Profit after tax (PAT)	25	56	30
Overall gearing (x)	0.05	0.04	0.04
Interest coverage (x)	10.86	29.97	24.65

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

*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 - LT-Term Loan	-	-	-	31-12-2027	0.00	Withdrawn
Fund-based/Non-fund-based-LT/ST	-	-	-	-	500.00	CARE A; Stable/ CARE A1
Non-fund-based - ST-Letter of credit	-	-	-	-	100.00	CARE A1

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 A1	1)CARE A-; Stable / CARE A2+ (09-Jul-25)	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	-	-	1)CARE A-; Stable (09-Jul-25)	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 A1	1)CARE A2+ (09-Jul-25)	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.

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