

Loyal Textile Mills Limited

February 10, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	80.00 (Reduced from 96.00)	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	241.17 (Reduced from 291.55)	CARE A4+	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Loyal Textile Mills Limited (LTM) factors in moderate financial performance, with operating losses in FY25 (refers to the period April 1 to March 31) and H1FY26 (refers to the period April 1 to September 30). The company has initiated measures to reduce the share of low value-added yarn sales, strengthen its focus on higher-margin garment segments, and monetize non-operational units to bring down overhead expenses and enhance overall profitability. The ratings factor in LTM's long track record spanning more than seven decades, vertically integrated nature of operations, benefits derived from diverse offerings within each product category, and a geographically widespread clientele. The ratings take note of company's ongoing asset monetization initiatives, which have supported debt reduction, helped offset operational losses, and contributed positively to its liquidity position.

CARE Ratings Ltd has withdrawn the long-term ratings assigned to the cash credit limits of IndusInd Bank since the limits are closed by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Profitable turnaround of operations and improving interest coverage above 1.5x on sustained basis.
- Improving capital structure with overall gearing below 1.8x on sustained basis.

Negative factors

- Large debt-funded capital expenditure, leading to moderation in capital structure with gearing above 3x.
- Prolonged impact of slowdown in demand or delayed offtake by customers leading to continued operating losses.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the company is expected to continue to leverage on its long-standing relationship with its customers and diverse product profile and maintain its capital structure in the absence of large debt funded capex.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial performance, albeit improved in Q2FY26

Total Operating Income (TOI) moderated by 27% to Rs.687.47 crore in FY25 over FY24 due to company's conscious effort to consolidate operations and discontinue non-viable and commoditized product lines. It has also reported TOI of Rs.251.83 crore in H1FY26 (UA) as compared to Rs.390.08 crore in H1FY26 (UA). LTM reported operating losses (before interest, depreciation and tax) of Rs.66.38 crore in FY25 primarily on account of lower price realisation in yarns & woven fabric, restructuring-related costs, inventory revaluation, and underutilization of capacity. The company operating losses reduced to Rs.16.46 crore in H1FY26 against operating loss of Rs.35.9 crore in H1FY25. During FY25 and H1FY26, the company booked non-operating income of Rs.81.36 crore and Rs.26.85 crore as profit from sale of assets such as divisional office and windmills. During H1FY26, the company also made provision of Rs.21.77 towards inventory meant for exports which have been affected by recent tariffs related developments on textile imports from India.

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

The company has made progress on its business realignment plan, exiting low margin operations and consolidating production to enhance efficiency. The focus on high-value technical textile has led to improved performance and PBILDT turned positive in Q2FY26.

Moderate capital structure and debt coverage metrics

LTM does not have long-term debt obligations. The company substantially reduced the working capital borrowings from Rs.413.30 crore as on March 31, 2025 to Rs.330.94 crore as on September 30, 2025 through asset sale and liquidating inventories. Despite the reduction in working capital borrowings, the capital structure continued to remain moderate with overall gearing of 1.76x (PY: 2.15x) as on March 31, 2025. The debt protection metrics remain weak with cash losses of Rs.48.32 crore in FY25 and Rs.29.84 crore in H1FY26. The company is also in the process of selling its non-operational units in Naidupet and Sivagangai in the near term. The timely monetization of the planned asset sale within envisaged timelines and reduction in debt levels is key monitorable.

Inherent volatility associated with raw material prices and its impact on profitability

Cotton, the key raw material, exhibited high price volatility in the past, which impacts the company's profitability. Prices of cotton and yarn are governed by factors such as area under cultivation, monsoon, export quota by Government and international demand-supply situation, among others. Although LTM's integrated operations and long-term supplier relationships provide some cushion, the company remains exposed to cyclical movements in raw material prices.

Key strengths**Long track record of operations of the company with vertically integrated textile mills**

Founded in 1956 by Late Karumuttu Thiagaraja Chettiar, LTM is one of the oldest integrated textile mills in south India, having over seven decades of track record. LTM has an established presence in international and domestic markets. LTM has a spinning unit in Sattur, Tamil Nadu and processing unit in Cuddalore, Tamil Nadu. During FY25, the company derived 14% of income from Yarn, 53% from knitted and woven fabrics and 33% from garments. LTM has also made significant investments in windmills, to meet its power requirement. As on December 31, 2025, LTM has an installed windmill capacity of 17 MW and solar power capacity of 3 MW.

Diversified product profile

LTM has different product lines, including yarn, fabrics (woven and knitted), home textiles and garments. Yarn includes pure organic yarn (100% cotton), blended yarn made of polyester, bamboo and linen, among others. Woven fabrics include Plain, Twill, Drill, Gabardine, and Oxford weave in widths ranging from 50 inches to 134 inches, whereas knitted fabrics include Single jersey, Rib, Inter-lock, and Cuff 20" to 36" diameter. In the recent past, the company carried out major restructuring works across all units to optimise production. LTM is prioritizing its presence in the fast-growing technical textile segment, especially in protective wear, which is witnessing rising demand from institutional buyers and export markets due to increasing focus on workplace safety and compliance standards.

Geographically diversified customer base

The Loyal group has established a significant brand image in the textile export market, enabling export of its own products and trading yarn under the 'Loyal' brand. LTM generates ~50-60% of its sales from exports markets, well-spread across the USA, Europe, Middle East and Asia. However, exports declined to 57% of TOI in FY25 (PY: 39%) and gradually improved to 65% in H1FY26. LTM has well-diversified client base across geographies and its top 10 clients accounted for 49.30% of its total sales in FY25 (22.67% in FY24). Exposure to the US market reduced from 7.97% in FY25 to just 0.56% in H1FY26.

Liquidity: Stretched

Liquidity is stretched marked by operating losses in FY25 and H1FY26, however supported by proceeds from asset sale and subsidies from Government in the past. LTM does not have long term debt obligations. The cash balance stood moderate at ₹18.40 crore as on Sep 30, 2025. The average inventory days in last two fiscal year(s) remained high at 167 days. The credit period given by LTM varies up to 60 days. Most of the export credits are backed by LCs; hence, the risk on receivables remains relatively low. The average fund-based working capital utilisation stood high at around 97.93% for the 12 months ended October 2025. The current ratio stood low at 0.82 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](#)
- [Withdrawal Policy](#)
- [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

LTM is one of the oldest integrated textile mills in south India, with facilities for production of cotton yarn, knitted and woven fabrics and garments. LTM is the flagship company of the Loyal group, founded by Late Karumuttu Thiagaraja Chettiar in 1956. Valli M Ramaswami is the Chairperson and the company's daily operations are overseen by N. Srinivasan, Chief Executive Officer, assisted by a team of professionals.

LTM is a vertically integrated textile mill. The company earns majority income from exports and has a diversified clientele across Asia, America, Europe and other regions. LTM has aggregate capacity of 1,09,200 ring spindles, 4,848 rotors, 263 knitting machines, 384 automatic looms and 1,725 sewing machines as on March 31, 2025. The company has installed windmills with 17 MW and a solar power plant 3 MW for captive consumption as on December 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	944.44	687.47	251.83
PBILDT*	-31.26	-66.38	-16.46
Profit after tax (PAT)	-42.95	-54.68	-34.80
Overall gearing (x)	2.15	1.76	NA
Interest coverage (x)	-0.53	-1.16	NA

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-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-EPC/PSC		-	-	-	88.44	CARE A4+
Fund-based - ST-PC/Bill Discounting		-	-	-	90.73	CARE A4+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	80.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	2.00	CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	60.00	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 - ST-EPC/PSC	ST	88.44	CARE A4+	-	1)CARE A4+ (20-Mar-25) 2)CARE A3 (21-Nov-24) 3)CARE A3 (05-Apr-24)	1)CARE A3+ (23-Aug-23)	1)CARE A2 (18-Aug-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (18-Aug-22)
3	Non-fund-based - ST-BG/LC	ST	2.00	CARE A4+	-	1)CARE A4+ (20-Mar-25) 2)CARE A3 (21-Nov-24)	1)CARE A3+ (23-Aug-23)	1)CARE A2 (18-Aug-22)

						3)CARE A3 (05-Apr-24)		
4	Fund-based - ST-PC/Bill Discounting	ST	90.73	CARE A4+	-	1)CARE A4+ (20-Mar-25) 2)CARE A3 (21-Nov-24) 3)CARE A3 (05-Apr-24)	1)CARE A3+ (23-Aug-23)	1)CARE A2 (18-Aug-22)
5	Non-fund-based - ST-Letter of credit	ST	60.00	CARE A4+	-	1)CARE A4+ (20-Mar-25) 2)CARE A3 (21-Nov-24) 3)CARE A3 (05-Apr-24)	1)CARE A3+ (23-Aug-23)	1)CARE A2 (18-Aug-22)
6	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	-	1)Withdrawn (18-Aug-22)
7	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (20-Mar-25) 2)CARE BBB; Negative (21-Nov-24) 3)CARE BBB; Stable (05-Apr-24)	1)CARE BBB+; Stable (23-Aug-23)	1)CARE A-; Positive (18-Aug-22)
8	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	80.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+	1)CARE BBB+; Stable / CARE A3+	1)CARE A-; Positive / CARE A2 (18-Aug-22)

						(20-Mar-25)	(23-Aug-23)	
						2)CARE BBB; Negative / CARE A3 (21-Nov-24)		
						3)CARE BBB; Stable / CARE A3 (05-Apr-24)		

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 - ST-EPC/PSC	Simple
3	Fund-based - ST-PC/Bill Discounting	Simple
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
5	Non-fund-based - ST-BG/LC	Simple
6	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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