Arex Industries Limited

July 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE BBB; Stable / CARE A3+ and Withdrawn
Long-term bank facilities	-	-	Reaffirmed at CARE BBB; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed and withdrawn outstanding ratings of 'CARE BBB; Stable/ CARE A3+' (Triple B; Outlook: Stable/ A Three Plus) assigned to bank facilities of Arex Industries Limited (AIL) with immediate effect. This action has been taken at the request of AIL, and 'No Objection Certificates' received from the bank that has extended the facilities rated by CareEdge Ratings.

CareEdge Ratings also notes receipt of 'No Dues Certificate' from the lender, for one of the two rated term loans.

Ratings assigned to bank facilities of AIL continue to derive strength from vast experience of its promoters in woven labels manufacturing business, long-standing track record of operations of AIL with well-established manufacturing setup, established relationship with reputed customers, healthy profitability, moderate capital structure and debt coverage indicators and its adequate liquidity.

However, ratings continue to remain constrained by AIL's small scale of operation due to presence in product segment with a limited industry size, moderate capacity utilisation, large working capital requirement, profitability vulnerable to volatile raw material prices with limited ability to pass on the increase in cost to its customers and its presence in a competitive industry.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectations that the company will continue to benefit from vast experience of promoters in label manufacturing industry and sustain its moderate financial risk profile in the near-to-medium term.

Detailed description of key rating drivers:

Key Strengths

Vast experience of promoters in woven labels manufacturing business

AIL's promoters have over 30 years of experience in the woven label manufacturing business. Dinesh Bilgi, MD and CFO is AIL's founder promoter and looks after the company's day-to-day operations. He is well supported by his two sons, Neel Bilgi and Chirag Bilgi, who have over 15 years of industry experience. Over the years, promoters have undertaken technological up-gradation and expansion projects to cater to increasing demand for labels from the textile industry.

Long-standing track record of operations and established relationship with reputed customers

AIL is one of the largest domestic players in the organised sector in this niche segment of woven labels. The company has an established track record of operations of over three decades. AIL has a diverse and well-established clientele, including Welspun India Limited (WIL: rated: CARE AA; Positive/ CARE A1+) among others, which include some of the leading ready-made garment and home-textile manufacturers in India.

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

Healthy operating margin

AIL's operating profit (profit before interest, lease rentals, depreciation and taxation [PBILDT]) margin stood healthy in FY26. On a y-o-y basis, it moderated marginally to 14.63% (PY: 15.93%) mainly due to increase in employee costs.

Moderate capital structure and debt coverage indicators

AIL's capital structure is moderate marked by its overall gearing stood at 0.38x in FY26 (Ab.) compared to 0.48x in FY25, improved due to withdrawal of unsecured loans by directors supported by adequate cash flows. The entity's net worth base remains moderate at ₹27.74 Crore (PY: ₹25.67 crore) at FY26 (Ab) end.

Debt coverage indicators remained moderate marked by PBILDT interest coverage of 6.98x (PY: 7.45x) and total debt to gross cash accruals (TD/GCA) of 1.99x (PY: 1.87x) in FY26 (Ab).

Key weaknesses

Small scale of operations with moderate capacity utilisation

In FY26, AIL's total operating income (TOI) declined marginally from ₹51.16 crore in FY25 to ₹49.64 crore in FY26, (Ab). Scale of operations remained small over the years due to company's operations in a niche product segment having relatively limited market size.

Post expansion of manufacturing facilities in FY19, the utilisation of installed capacity has remained moderate, in the range of 40-60%. However, capacity utilisation depends on machine settings and operating time which depend upon size, complexity, and intricacy of design of labels required.

AIL commenced commercial production at its Kutch unit from August 2018. This manufacturing facility is constructed on land taken on lease from WIL and is adjoining WIL's manufacturing facility. AIL entered an agreement with WIL for 10 years (balance remaining three years), where WIL has agreed to off-take minimum 75% production capacity of the Anjar Plant. This arrangement reduces the saleability risk to certain extent, although results in high dependency on single customer.

Large working capital requirement apart from high fixed capital intensity

AIL has to maintain large inventory across coloured yarns as demand for particular colour may arise, depending on the customer's requirement. Long order execution time considering designing process involved before finalizing the order and credit period required to be extended to its reputed clientele further elongates the operating cycle. In FY26, AIL's operating cycle stood stable but sizeable at ~98 days (PY: 93 days). This apart, AIL also requires sizeable investment in fixed assets, which, and moderate utilisation of capacities, restricts the fixed turnover ratio of the company which stood at ~0.47x in FY26.

Profitability vulnerable to raw material price volatility and limited ability to pass on increase in cost to its customers

Synthetic and cotton tape/ yarn is the key raw material for AIL, price of which depends on raw cotton and crude oil prices. Over the years, prices of this commodity remained highly volatile mainly due to change in global demand supply scenario. AIL has lower bargaining power against its customers as labels account for a very low value of the final garment manufactured by its customers. Presence of unorganised sector restricts company's ability to pass on fluctuations in input costs to customers.

Presence in a competitive industry with linkages to cyclical textile industry

The label manufacturing industry remains highly fragmented, with intense competition and limited pricing flexibility. Demand is closely linked to the textile and apparel sector, exposing the industry to cyclical trends.

Liquidity: Adequate

Liquidity remained adequate with positive cash flow from operations of ₹7.58 crore, which facilitated debt reduction. However, current ratio stood moderate at unity (PY: 1.31x) at FY26 (Ab) end, owing to all outstanding term loans due to be paid in FY27, translating into higher current maturities.

The working capital cycle continued to stand elongated at 98 days (PY: 93 days), due to higher inventory period of 87 days (PY: 68 days).

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
Short Term Instruments
Cotton Textile

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Other textile products

Incorporated in 1989, AIL is promoted by Dinesh Bilgi. AIL manufactures woven labels of Satin and Taffeta quality in white or black warp-base, of different shapes, sizes and colours depending on the customer's requirement. The demand for these labels mainly arises from apparels/ ready-made garments and home textile segment of the textile industry and footwear industry. The company has total installed capacity of 27,015 million pick meters of woven labels and 15,000 million pick meters of printed labels.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (Ab)
Total operating income	51.01	51.16	49.64
PBILDT*	9.07	8.15	7.26
Profit after tax (PAT)	2.54	2.63	1.48
Overall gearing (x)	0.33	0.48	0.38
Interest coverage (x)	6.83	7.45	6.98

A: Audited Ab: Abridged; 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

Disclosure of Interest of Independent/Non-Executive Directors of CareEdge Ratings: Not applicable

Disclosure of Interest of Managing Director & CEO: 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	-	-	-	March 2027	0.00	Withdrawn
Fund-based - LT/ ST-Cash Credit	-	-	-	-	0.00	Withdrawn

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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB; Stable (06-Jul-26)	1)CARE BBB; Stable (27-Jun-25)	1)CARE BBB; Stable (28-Jun-24)	1)CARE BBB; Stable (05-Jul-23)
2	Fund-based - LT/ ST-Cash Credit	LT/ST	-	-	1)CARE BBB; Stable / CARE A3+ (06-Jul-26)	1)CARE BBB; Stable / CARE A3+ (27-Jun-25)	1)CARE BBB; Stable / CARE A3+ (28-Jun-24)	1)CARE BBB; Stable / CARE A3+ (05-Jul-23)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Nort 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-Cash Credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the rating notes subsequent to issuance(s), CARE Ratings Limited shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available. We understand that you do not hold partnership/directorship in any of the firms/companies being sent to you neither you & your spouse hold any securities issued by any of these companies

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	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Nikita Akhilesh Goyal Associate Director **CARE Ratings Limited** Phone: 079-40265670 E-mail: nikita.goyal@careedge.in Kena Bhavsar Lead Analyst **CARE Ratings Limited** E-mail: Kena.bhavsar@careedge.in

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