Amaravathi Textiles Private Limited

September 30, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	74.03 (Reduced from 74.91)	CARE BB+; Stable	Reaffirmed
Short-term bank facilities	RBI	9.00 (Reduced from 9.05)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Amaravathi Textiles Private Limited (ATPL) are constrained by its moderate financial risk profile and moderate scale of operations. Profitability margins remain susceptible to fluctuations in raw material prices. The company's liquidity position is stretched due to working capital intensive operations, and its presence in a regulated and fragmented industry.

However, ratings derive strength from the experienced and resourceful promoters, improvement in profitability in FY26, and presence of a captive power plant. Additional strengths include ATPL's established track record, diversified customer base, and healthy relationships with suppliers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade

- Significant improvement in scale of operations with improved profitability resulting profit before interest, lease rentals, depreciation and taxation (PBILDT)/Interest higher than 3x.
- Average utilisation of fund-based working capital limits falling below 70% on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Increasing overall gearing above 1.50x.
- Reporting losses at PBILDT level.
- Deteriorating liquidity position and/or elongating operating cycle.

Analytical approach: Standalone

Outlook: Stable

The stable outlook considers the management's experience in the business and commitment towards the company evinced from infusion of funds in the company as unsecured loans.

Detailed description of key rating drivers

Key weaknesses

Moderate financial risk profile

ATPL is engaged in manufacturing cotton yarn and produces hank and cone yarn in finer counts ranging from 60s to 120s for knitting and weaving. The company also produces open-ended coarse count yarn in counts ranging from 16s to 28s. The company operates with an installed capacity of 139,728 spindles and 5,376 rotors, reflecting its sizeable manufacturing scale.

Despite the sizeable capacity, scale of operations remained moderate, with total operating income (TOI) of ₹185 crore in FY26, broadly in line with FY25 levels due to subdued demand for hank and cone yarn in domestic and export markets.

[1]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.

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

The PBILDT margin remained comfortable at 13.56% in FY26, despite being marginally lower than 14.45% in FY25, considering higher inventory build-up of raw cotton.

Promoters infused ₹24.90 crore through unsecured loans to support liquidity in FY26. The company's debt profile primarily comprises term loans, unsecured loans, and working capital borrowings. With stable net worth and debt levels, overall gearing remained below unity and stable at 0.80x as on March 31, 2026, against 0.77x as on March 31, 2025. With stable scale of operations and interest cost, the interest coverage ratio improved to 2.78x in FY26 (PY: 2.22x).

Working capital intensive operations
Spinning is primarily a working capital intensive business as raw material availability is seasonal, which results in high inventory holding period. Procurement is primarily on cash basis, which results in high working capital utilisation in months of availability, which is October to April. ATPL's operating cycle deteriorated from 241 days for FY25 to 289 days in FY26 primarily due to higher inventory days of 327 days in FY26 as ATPL maintains a buffer inventory to meet sudden orders and long processing time, considering several stages in manufacturing. Average working capital utilisation levels were high at 97% for 12-months ended March 2026.

Power availability and subsidy from Andhra Pradesh Government on power tariff, which is delayed
The company is entitled to receive incentives under technology upgradation fund scheme (TUFS) interest subsidy from Government of India (GoI), power subsidy reimbursement and input tax credit under Mega Industrial Park, Government of Andhra Pradesh (AP). The company is eligible for power subsidy since June 2007 for 10 years on units consumed considering new capacities created as part of expansions carried out from 2007-2009, from the state government in Mega Park concessions approved by the AP Government. As on March 31, 2026, subsidy receivable amounts to ₹27.09 crore (interest subsidy of ₹10.88 crore and power subsidy for ₹16.21 crore).

Intense competition in the industry
Highly fragmented, competitive and cyclical nature of industry The Indian textile industry consists of large, organised players who contribute to 75% of total installed capacity and the remaining 25% is contributed by unorganised segment. ATPL is a relatively small player in this space, lacking benefits of economies of scale. Intense competition in the highly fragmented textile industry also restricts its ability to completely pass on volatility in input cost to its customers. Challenges posed by low-cost manufacturing countries, such as China and Bangladesh exert pressure on Indian market.

Profitability susceptible to volatile cotton prices
Inherent volatility associated with raw material prices and its impact on profitability Profitability of spinning mills depends largely on prices of raw material cotton, which is governed by factors such as area under cultivation, monsoon, and international demand-supply situation among others. Cotton being the major raw material, movement in cotton without parallel movement in yarn prices impact profitability of spinning mills. Prices of raw cotton have been volatile in the last couple of years, which translates into risk of inventory losses for the industry players. ATPL's PBILDT margin has been volatile in the range of 4.2-14.45% in the last five years.

Key strengths

Experienced and resourceful promoters with established track record
ATPL is promoted and managed by K Srinivasa Rao, who has over three decades of experience in the knitting and woven yarn markets of South India. His established industry relationships support efficient procurement, customer acquisition, and stable operations.

Promoters have demonstrated continued financial support through timely infusion of funds, aiding operations, meeting working capital requirements, and supporting growth initiatives.

Favourable location of operations
The company benefits from a locational advantage, with its manufacturing facility in Guntur, a prominent cotton-growing belt in AP. The facility is close to key cotton-growing regions such as Khammam and Warangal in Telangana, facilitating efficient procurement and lowering transportation costs.

ATPL procures cotton from multiple regions, including Guntur, Adilabad, Warangal, and Khammam, supporting raw material availability and supply chain stability.

Presence in premium product segment and diversified customer base
ATPL manufactures medium- to finer-count yarns, including value-added products such as compact, gassed, and mercerised yarn. The niche product portfolio supports a stable customer base, with long-standing relationships with buyers and suppliers across AP, Karnataka, and Telangana.

Exports remained low at 0.33% of total sales in FY26, with revenue largely driven by the domestic market. The company mitigates foreign exchange (forex) risk through forward contracts.

Customer concentration remains moderate, with top 10 customers contributing 57% of total revenue in FY26 (PY: 58%).

Revenue diversification through solar power plant
ATPL has established a 10 MW solar power plant at Nellorepalem, Nellore (Andhra Pradesh) in 2015, at a cost of ₹67 crore. The company entered a 25-year long-term power purchase agreement (PPA) with Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL). The tariff was ₹5.84 per kWh in the first year, escalating at 3% annually up to the 10th year, and remaining constant thereafter until end of the tenure.

Power cost stood at ₹28 crore in FY26 (PY: ₹32 crore), constituting ~15% (PY: 17%) of total cost of sales, indicating a moderation in power cost intensity. Receivables from the state DISCOM for the solar power plant have improved significantly in the last two years, supporting liquidity.

Liquidity: Stretched
Liquidity is stretched, characterised by cash accruals of ₹16.08 crore against scheduled repayment obligations of ₹5.91 crore for FY27. Cash and bank balance remains low at ₹0.16 crore as of March 31, 2026. Working capital utilisation remained high at ~97% for 12 months ending March 31, 2026. The company managed to pay its obligations through unsecured loans from promoters and release of funds from DISCOMS receivables, which resulted in above-unity current ratio of 1.22x and negative cash flow from operations at ₹3.08 crore as on March 31, 2026.

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

About the company and industry

Industry classification

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

Textile Division: AP-based ATPL was incorporated in 1983 in Guntur as a cotton spinning unit by K Srinivasa Rao and his family. Promoters started with small capacity of 12,000 spindles in the late 1990s which has grown to 139,728 spindles, 5376 rotors and 104 gins. ATPL produces cotton yarn in hank and cone forms in the finer counts ranging from 60s to 120s for knitting and weaving. The company also produces open-ended coarse count yarn in counts ranging from 16s to 28s.

Solar Plant: The company has set up a 10 MW solar power plant in AP (vicinity of textile unit) and has entered PPA with Southern Power Distribution Company of AP (CARE B; Stable /CARE A4, vide PR dated May 29, 2026), for 25 years at an average tariff of ₹5.84 per unit with escalation of 3% after first year of operation till 10th year and constant thereafter till the 25th year. The solar plant is running at P-90 levels with an average annual CUF ranging from 17-19%.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	188.55	185.87
PBILDT*	27.25	25.20
Profit after tax (PAT)	-4.72	2.34
Overall gearing (x)	0.77	0.80
Interest coverage (x)	2.22	2.78

A: Audited; UA: Unaudited; Note: these are latest available financial results
PBILDT- profit before interest, lease rentals, depreciation and taxation

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	-	48.00	CARE BB+; Stable
Fund-based - LT-Funded Interest term Loan	RBI	Simple	-		-	-	0.01	CARE BB+; Stable
Fund-based - LT-Term Loan	RBI	Simple	-		-	31-07-2030	26.02	CARE BB+; Stable
Non-fund-based - ST-Credit Exposure Limit	RBI	Simple	-		-	-	0.25	CARE A4+
Non-fund-based - ST-ILC/FLC	RBI	Simple	-		-	-	8.75	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 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	Non-fund-based - ST-ILC/FLC	ST	8.75	CARE A4+	-	1)CARE A4+ (07-Jul-25)	1)CARE A4+ (03-Jul-24)	1)CARE A4+ (09-Jun-23)
2	Fund-based - LT-Funded Interest term Loan	LT	0.01	CARE BB+; Stable	-	1)CARE BB+; Stable (07-Jul-25)	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)
3	Fund-based - LT-Cash Credit	LT	48.00	CARE BB+; Stable	-	1)CARE BB+; Stable (07-Jul-25)	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)
4	Fund-based - LT-Term Loan	LT	26.02	CARE BB+; Stable	-	1)CARE BB+; Stable (07-Jul-25)	1)CARE BB+; Negative (03-Jul-24)	1)CARE BB+; Stable (09-Jun-23)
5	Non-fund-based - ST-Credit Exposure Limit	ST	0.25	CARE A4+	-	1)CARE A4+ (07-Jul-25)	1)CARE A4+ (03-Jul-24)	1)CARE A4+ (09-Jun-23)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Lender details: Not applicable

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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