

April 07, 2025

T C Terrytex Limited: Ratings upgraded to [ICRA]BBB(Stable)/[ICRA]A3+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash Credit	20.00	20.00	[ICRA]BBB(Stable); upgraded from [ICRA]BBB-(Stable)
Short-term – Non-Fund based – Bank facilities	10.00	10.00	[ICRA]A3+; upgraded from [ICRA]A3
Total	30.00	30.00	

*Instrument details are provided in Annexure I

Rationale

The ratings upgrade for TC Terrytex Limited (TCTL) factors in ICRA's expectations that its financial risk profile will improve over the medium term on back of healthy growth in revenues and margins, leading to an improvement in debt protection metrics. The company's revenues rose ~20% to around Rs. 650 crore in FY2024. In the current fiscal, the company has achieved revenues of ~Rs. 500 crore till December 2024 with improved operating margins of around 8.5%. The company is expected to report 5-7% revenue growth in the current fiscal with 30-40 bps expansion in the operating margin. The ratings continue to factor in the extensive experience of its promoter and the company's established position as an exporter of terry towels from India to countries like the US and Australia, catering to renowned brands and retailers. The ratings also factor in TCTL's demonstrated ability to operate its plant at healthy capacity utilisation levels in the recent past, which has helped it maintain steady operating profitability.

The ratings are, however, constrained by the susceptibility of the company's margins to volatility in raw material prices, relatively high customer and product concentration in the terry towel segment and its leveraged capital structure. Besides, working capital intensive nature of its operations that keeps reliance on borrowings high, the company has sizeable debt repayments over the medium term, resulting in moderate coverage metrics in the near term. ICRA notes that the company has capex outlay of Rs. 20-25 crore planned to enhance its capacity over FY2026-FY2027. Notwithstanding the same, steady cash accruals are expected to help the company maintain its debt coverage metrics.

The Stable outlook on TCTL's long-term rating reflects ICRA's expectation of steady operating performance over the near-to-medium term, characterised by a healthy capacity utilisation and a gradual improvement in profitability. This is expected to help the company maintain comfortable debt coverage metrics over the medium term.

Key rating drivers and their description

Credit strengths

Established position in home textile export market (terry towel) industry – TCTL is an established manufacturer and exporter of terry towels having a wide range of bath towels, kitchen towels, involving higher value addition with embroidery and use of jacquard looms for designs and patterns. The company has an established association with some of the large format retailers in Australia and the US (like Kmart Australia Limited, Revman International Inc, Homegoods Inc etc.), demonstrating ability to secure sizeable repeat orders from these clients in the recent fiscals. TCTL also benefits from sales of dyed yarn, predominantly sold in the domestic market (and used for captive consumption).

Extensive experience of the promoters in the industry – The company is managed by Mr. Akhil Satia (Managing Director and Promoter), who has extensive experience in the textile industry. The promoter’s strong understanding of market dynamics and healthy relationships with the suppliers and customers are expected to continue to support the business.

Long association with leading large format retailers in the US and Australia – The company’s demonstrated track record of continued relationship with some of the large and reputed retail chains in the US and Australia over the years, has ensured repeat orders, lending stability to its revenues. Further, favourable demand and an expected shift in sourcing by large retailers from the competing supplier nations to India are likely to support the business growth in the medium term.

Credit challenges

High working capital intensity owing to high inventory days – TCTL’s operations remain working capital intensive due to a high inventory holding period for raw materials as well as finished goods. The company’s working capital intensity, measured by the net working capital to the operating income, remained high at ~34% in FY2024. While the high inventory levels impact the company’s return metrics and liquidity, the risks are mitigated to an extent by order-backed inventory.

Intense competition in the home textile segment limits pricing flexibility; earnings exposed to fluctuations in foreign exchange and raw material prices – The company’s profitability is vulnerable to fluctuations in cotton yarn prices. Further, the company derives more than 70% of its revenues from exports and hedges only a part of its foreign exchange exposure and thus remains exposed to fluctuations in forex rates. Further, increasing competition in the homes textiles exports market limits the bargaining power of the suppliers. Nonetheless, TCTL’s established relationships with its key customers mitigate the risk to some extent.

Relatively higher customer and product concentration in terry towel segment – The company’s client concentration risk remains high, with its top ten customers contributing 60% to the overall revenues in the recent years. Moreover, the company is exposed to geographical concentration risk as the US and Australia together account for more than 50-60% of the overall revenues.

Moderate debt protection metrics – Owing to debt-funded capex undertaken in the past and GECL loans availed, the company’s credit and coverage metrics remain modest, as indicated by Total debt/OPBITDA at ~3.6 times, Interest coverage at 2.2 times and TOL/TNW at ~1.8 times in FY2024. However, with scheduled repayments of ~Rs.20 crore per annum, the company’s coverage metrics are likely to gradually improve with interest cover and Total debt/OPBITDA expected to improve to 2.5 times and 3.1 times in FY2025, respectively.

Liquidity position: Adequate

TCTL’s liquidity is adequate, characterised by a cushion of Rs. 20-25 crore in the form of unutilised working capital limits (with commensurate drawing power) in the past 2-3 months. TCTL’s annual net cash accruals are expected at Rs. 27-30 crore in the current and the upcoming fiscals. Against this, it has debt repayment obligations of Rs. 19-21 crore per annum.

Rating sensitivities

Positive factors – ICRA could upgrade TCTL’s ratings if the company sustains a healthy growth in its scale of operations, while maintaining working capital cycle, resulting in an improvement in its credit metrics. Further, increased business from a wide set of customers and geographies, and enhanced product portfolio could also be positive triggers for the ratings.

Negative factors – The ratings may be downgraded if there is a significant decline in revenues and margins or any further elongation of the working capital cycle on a sustained basis. Credit metrics that may lead to ratings downgrade include TOL/TNW of more than 1.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

TCTL was incorporated on August 30, 2005 as a public limited company. The company has an installed capacity of 34 metric tonnes per day (MTPD) for towels from 104 looms and 18 MTPD for dyed yarn in Mohali (Punjab). The company's product portfolio includes a wide range of bath towels and kitchen towels, which are exported to some of the large format retailers in Australia and the US (like Kmart Australia Limited, Revman International Inc, Homegoods Inc etc.). Mr. Akhil Satia is the promoter of the company.

Key financial indicators (audited)

Standalone	FY2023	FY2024	H1FY2025*
Operating income	544.2	654.4	337.0
PAT	11.0	14.0	6.7
OPBDIT/OI	8.6%	8.1%	8.1%
PAT/OI	2.0%	2.1%	2.0%
Total outside liabilities/Tangible net worth (times)	1.9	1.8	1.6
Total debt/OPBDIT (times)	4.4	3.6	3.3
Interest coverage (times)	1.9	2.2	2.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore *Provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	April 07,2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	20.0	[ICRA]BBB(Stable)	-	-	29-Jan-24	[ICRA]BBB-(Stable)	-	-
Non-Fund based – Bank facilities	Short term	10.0	[ICRA]A3+	-	-	29-Jan-24	[ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Cash Credit	Simple
Short-term – Non-Fund based – Bank facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term Fund-based – Cash Credit	NA	NA	NA	20.0	[ICRA]BBB (Stable)
NA	Short-term – Non-Fund based – Bank facilities	NA	NA	NA	10.0	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis-Not Applicable

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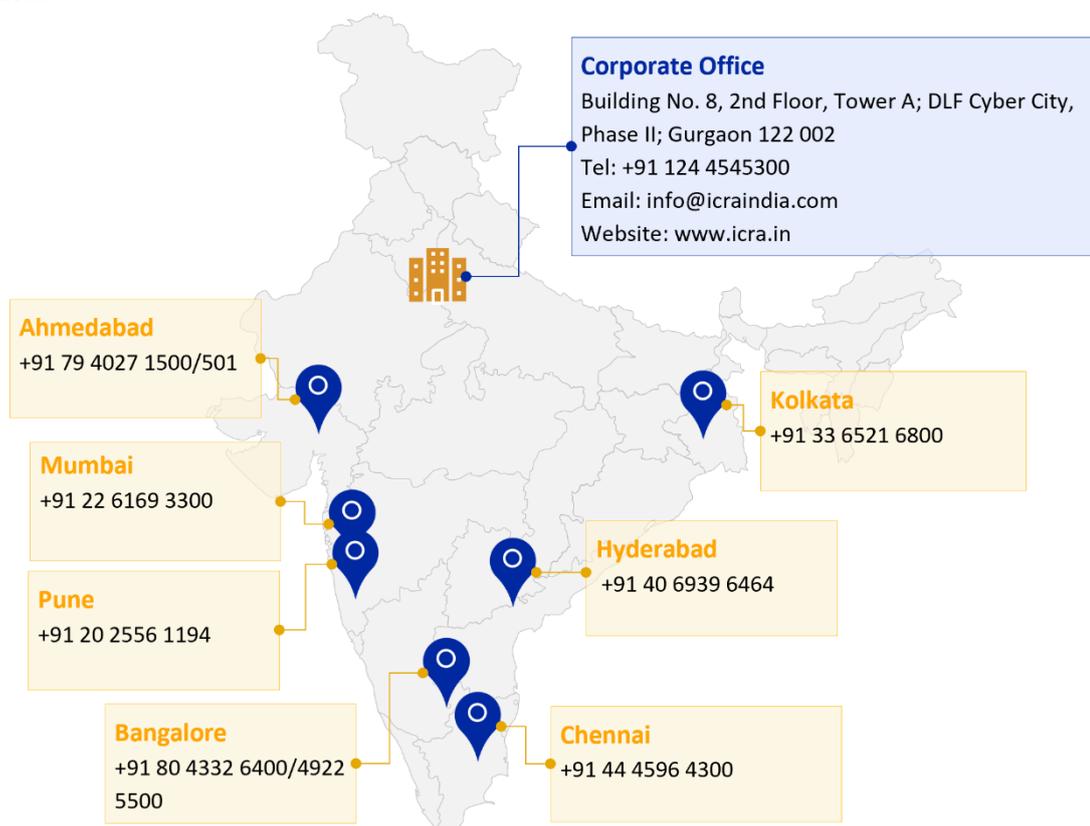
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