February 19, 2025

TWE OBT Private Limited: Ratings downgraded to [ICRA]A (Stable)/ [ICRA]A2+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund-based – Cash Credit	12.50	12.50	[ICRA]A (Stable); downgraded from [ICRA]A+(Stable)
Long term/ Short term - Fund-based –Working capital limits	9.60	9.60	[ICRA]A (Stable)/ [ICRA]A2+; downgraded from [ICRA]A+(Stable) / [ICRA]A1
Long term/ Short term –Non-fund based limits	4.20	4.20	[ICRA]A (Stable)/ [ICRA]A2+; downgraded from [ICRA]A+(Stable) / [ICRA]A1
Total	**26.30**	**26.30**	

**Instrument details are provided in Annexure I*

Rationale

While arriving at the ratings, ICRA has considered the standalone financial profile of TWE OBT Private Limited (TOPL) against the earlier rating approach of consolidated view with Luxmi Tea Company Private Limited (rated at [ICRA]A+(Stable)/[ICRA]A1) and Obeetee Private Limited (OPL) (rated at [ICRA]A+(Stable)/[ICRA]A1). This change in rating approach is following the change in shareholding pattern, with induction of new joint venture (JV) partner TWE Group GmbH (TWE), which acquired 50% stake in the entity from OPL. Nonetheless, ICRA has factored in the financial flexibility benefits to the company from the presence of resourceful shareholders.

The rating action considers the moderate scale of operations with estimate revenues of ~Rs. 208 crore in FY2025 compared to Rs 196 crore achieved in FY2024, resulting in a moderate growth of ~6%. Further, the operating margins (OPM) of the company is expected to decline by ~300 bps in FY2025 over FY2024, primarily owing to one-time maintenance expenses and lower profitability owing to subdued market conditions. In 10M FY2025, the company has achieved revenue of Rs 173 crore with an OPBDITA of Rs 17.6 crore (OPM of 10.2%). Nonetheless, ICRA draws comfort from the healthy capital structure and strong debt coverage indicators of the company, owing to nil external debt currently. The liquidity position of the company also remained comfortable with available cash and bank balance of Rs 117.7 crore as on 31st March 2024.

The ratings also considers the capital expenditure plans at Bhopal, which is expected to entail a capital cost of ~Rs 150 crore. The company is expected to fund this capex through a term loan of ~Rs 50 crore and balance through available liquidity. The plant is expected to be commissioned in Q3 FY2026 and post the expansion, the company will benefit from increased scale and diversified product portfolio, thus strengthening its operating profile. Nonetheless, it also exposes the entity with project execution risks, including risk of delays in construction and cost overruns impacting project timelines and liquidity. Also, the liquidity position will reduce significantly from the current level owing to utilisation in the expansion project.

The ratings continue to factor in the established position of the company as manufacturer of high quality non-woven fabrics and technical textiles in India and its diversified product portfolio with focus on non-woven segment and into automobile application. The company benefits from long-standing relationships with its customers, particularly in the automotive sector, which includes tier-1 suppliers to OEMs, thereby supporting revenue stability and leading to low counterparty risk. ICRA also considers the strategic partnership with TWE group, which has wide experience in manufacturing hygiene products and thus enhances TOPL's technical capabilities and expands its product offerings. However, in the hygiene segment the product quality and consistency are vital for market acceptance. Also, the company faces risks associated with the inherent cyclicality of industries such as automotive, as well as its exposure to fluctuations in raw material prices, particularly in non-woven segments.

The Stable outlook on long term rating reflects ICRA's opinion that the company's credit profile will continue to benefit from established relationships with its customers ensuring repeat business and comfortable debt-coverage indicators, despite the capital expenditure plans.

Key rating drivers and their description

Credit strengths

Diversified product portfolio with focus on non-woven segment and into automobile application: TOPL has a well-diversified portfolio of nonwoven textiles catering to multiple high-demand industries such as automotive, flooring, filtration, and geotechnical applications. The diversification provides stable revenue generation and reducing dependency on a single industry segment.

Strong client relationships that strengthen business profile: The company benefits from long-standing relationships with prominent clients, particularly in the automotive sector. Its strong customer base, which includes tier-1 suppliers to OEMs, ensures revenue stability and reduces counterparty risk.

Strategic partnership with TWE Group: The JV with TWE Group brings significant strategic benefits. TWE's expertise in manufacturing hygiene products enhances TOPL's technical capabilities and expands its product offerings. The collaboration provides access to TWE's market reach, facilitating expansion into hygiene segment and improving TOPL's competitive positioning.

Low gearing and strong debt-coverage indicators- The leverage and coverage indicators remained healthy owing to nil external debt currently. While the company would be availing- Rs 50 crore term loan for the Bhopal project, the leverage and coverage metrics are expected to remain comfortable in the medium term.

Credit challenges

Moderate Scale of operation: The company operates at a moderate scale in the non-woven segment, which restricts its ability to derive benefits from economies of scale. In the current fiscal, the company is expected to achieve the revenue of ~Rs 208 crore compared to Rs 196 crore achieved in FY2024, resulting in a moderate growth of ~6%. The operating margins is also expected to be ~300 bps lower in FY2025 compared to FY2024, primarily owing to one-time maintenance expenses and lower profitability owing to subdued market conditions. In 10M FY2025, the company has already achieved revenue of Rs 173 crore with an OPBDITA of Rs 17.6 crore, which demonstrates moderate scale of operations.

Large capex underway exposing to project execution risks: The company is setting up a new plant in Bhopal at a total capex of Rs 150 crore. This will be funded through a term loan of ~Rs 50 crore and balance through available liquidity. The plant is expected to be commissioned in Q3 FY2026 and post the expansion, the company will benefit from increased scale and diversified product portfolio, thus strengthening its operating profile. Nonetheless, it also exposes the entity with project execution risks, including risk of delays in construction and cost overruns impacting project timelines and liquidity. Also, the liquidity position will reduce significantly from the current level owing to utilisation in the expansion project.

Cyclicality and exposure to Raw Material price fluctuations: The company faces risks associated with the inherent cyclicality of industries such as automotive, as well as its exposure to fluctuations in raw material prices, particularly in non-woven segments. Volatility in the prices of nonwoven materials and other critical inputs could adversely affect margins and profitability, adding to the company's financial risks.

Liquidity position: Adequate

The company's liquidity position is expected to remain adequate, with cash flow from operations along with available liquidity and term loan of Rs. 50 crore adequate to fund the ongoing capex of Rs. 150 crore. The company does not have any major debt obligations currently. The servicing of the Rs. 50 crore term loan following commissioning of the expanded project in FY2026 can be comfortably met from the operating cash flows.

Rating sensitivities

Positive factors: Healthy growth in the company's scale of operation and profits resulting in strengthening of its debt protection metrics and liquidity position on a sustained basis may result in an upgrade of the ratings.

Negative factors: The ratings may be downgraded if a sustained decline in the company's revenues or profitability adversely impacts its debt protection metrics and liquidity. Also, any significant delay in project execution resulting in time and cost overrun, adversely impacting the liquidity position would also be a negative factor. The specific credit metrics, which may trigger a rating downgrade, include Total Debt/OPBDITA of more than 2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Textiles - Fabric](#)
Parent/Group support	ICRA has taken into consideration the financial flexibility that this entity enjoys by virtue of its well positioned sponsors.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of TOPL

About the company

TOPL is a joint venture of TWE Group GmBH and OPL. The entity is an established manufacturer of high quality non-woven fabrics & technical textiles in India. The production facility is situated at Rudrapur, Uttarakhand and is capable to produce wide spectrum of products. The company is planning to set up a new plant at Bhopal for the hygiene segment, which is expected to commence commercial production from Q3 FY2026.

Key financial indicators (audited)

TOPL	Standalone		
	FY2023	FY2024	10M FY2025*
Operating income	184.8	196.2	173.2
PAT	15.9	21.5	15.0
OPBDIT/OI	14.6%	14.3%	10.2%
PAT/OI	8.6%	10.9%	8.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	-
Total debt/OPBDIT (times)	0.0	0.1	-
Interest coverage (times)	181.4	158.7	-

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Feb 19, 2025	Dec 29, 2023	Sep 08, 2022	Jun 10, 2021
1	**Fund-based – Cash Credit**	Long term	12.50	**[ICRA]A (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	-
2	**Fund-based – Working capital limits**	Long term/ Short term	9.60	**[ICRA]A (Stable)/ [ICRA]A2+**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A (Stable)/ [ICRA]A1**
3	**Non-fund based limits**	Long term/ Short term	4.20	**[ICRA]A (Stable)/ [ICRA]A2+**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A (Stable)/ [ICRA]A1**
4	**Unallocated limit**	Long term/ Short term	-	-	-	**[ICRA]A+ (Stable)/ [ICRA]A1**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Cash Credit	Simple
Long term/ Short term – Fund-based - Working capital limits	Simple
Long term/ Short term – Non-fund based limits	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	**Fund-based – Cash Credit**	NA	NA	NA	12.50	[ICRA]A (Stable)
NA	**Fund-based working capital limits (EPC/SLC/FBP)**	NA	NA	NA	9.60	[ICRA]A (Stable)/ [ICRA]A2+
NA	**Non-fund based limits LC/BG/Derivatives**	NA	NA	NA	4.20	[ICRA]A (Stable)/ [ICRA]A2+

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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