

November 18, 2025

Pal Fashions Private Limited: Ratings downgraded 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); downgraded from [ICRA]BBB (Stable)
Long term – Fund based- Term loans	2.00	2.00	[ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable)
Short term – Non fund based- Bank guarantee	1.00	1.00	[ICRA]A3; downgraded from [ICRA]A3+
Total	23.00	23.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings revision of Pal Fashions Private Limited (PFPL) reflects its sustained weakening of earnings, resulting in a moderation of debt protection metrics in FY2024 and FY2025, which are expected to remain moderate in the near term as well. PFPL's revenues declined by around 14% on a YoY basis in FY2025, primarily due to reduced revenue from fabric sales on the back of subdued demand, coupled with slower order upliftment by key customers, especially in H2 FY2025. PFPL's operating profit margin (OPM) contracted significantly to about 5.7% in FY2025, driven by under-absorption of fixed costs and increased job-work charges. This follows a sharp decline in OPM to around 9.9% in FY2024 from around 15.1% in FY2023. The sharp decline in earnings led to a moderation in debt protection metrics, with the interest coverage ratio and Total Debt/OPBDITA at 3.6 times and 3.1 times, respectively, in FY2025, compared to 5.5 times and 1.9 times in FY2024. The ratings action also considers the increased working capital intensity, with NWC/OI rising to about 49.4% in FY2025 from 36.7% in FY2024, due to elongated inventory days amid delayed order uplift by key customers. The ratings are further constrained by the weakening of the liquidity profile on account of withdrawal of unsecured loans by the promoters to an extent of around Rs. 11.6 crore. The ratings remain constrained by PFPL's high customer concentration risk with top five customers' accounts for 75-80% of its revenues in FY2024 and FY2025. ICRA notes the penalty of Rs. 0.45 crore levied by the National Green Tribunal (NGT) for alleged violation of environmental norms and PFPL has deposited Rs. 0.3 crore under protest, which remains a key monitorable.

Nonetheless, the ratings continue to factor in the extensive experience of the promoters in the textile industry and good reputation in the embroidery market. The ratings are further supported by the company's comfortable capital structure, reflected by TOL/TNW of 0.7 times as of March 31, 2025 on account of low reliance on bank debt.

The Stable outlook on the long-term rating reflects ICRA's expectation that PFPL's revenues and earnings are likely to increase. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to maintain its comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in textile industry – PFPL is promoted by Mr. Arvinder Singh Ahuja, Mr. Charanpreet Singh Ahuja and Mr. Arjun Singh Ahuja. The promoters have around four decades of experience in manufacturing embroidered

fabrics. Through its established track record, PFPL enjoys good reputation in the textile embroidery market. Extensive experience of the promoters in the industry is expected to guide the future growth of the company.

Comfortable capital structure – PFPL’s financial profile remains comfortable, characterised by a conservative capital structure, supported by its net worth, and low dependence on external debt. Key metrics, including TOL/TNW, stood at 0.7 times as on March 31, 2025. The capital structure is expected to remain comfortable as there are no major debt-funded capex plans over the medium term.

Credit challenges

Sustained weak profitability coupled with modest debt metrics – Owing to under absorption of fixed cost amid decline in revenues coupled with increase in job work charges, PFPL’s OPM is moderated to 5.7% in FY2025 from 9.9% in FY2024. A sharp decline in earnings led to weakening of PFPL’s debt coverage indicators and liquidity in FY2025. The key debt protections metrics are expected to remain moderate but stable in the current year and are expected to improve gradually from FY2027.

High customer concentration risk and moderately high working capital intensity in business – PFPL’s working capital intensity increased, with NWC/OI rising to 49.4% in FY2025 from 36.7% in FY2024 on account of elongated inventory days amid delayed order uplift by the key customers. The company’s ability to reduce working capital intensity by rationalising the inventory liquidation would be key monitorable. PFPL’s customers include garment retailers, manufacturers, local traders and exporters, etc. The company’s customer concentration risk continued to remain high, as reflected by its top five clients, driving around 78% of its total sales in FY2025. Nonetheless, established associations with its key clients and numerous repeat orders mitigate this risk to an extent.

Intense competition in the textiles industry – Intense competition and fragmented nature of the textiles industry constrain the credit profile of the entity as the same limit a sustained increase in scale. The commoditised nature of the products reduces pricing power, which affects profitability. Despite this, the entity has many unique designs and products that set it apart from its competitors and give it the power to set prices at a premium compared to the rest of the market.

Liquidity position: Adequate

PFPL’s liquidity position is expected to remain adequate, with sufficient cushion of around Rs. 10 crore in the working capital limits as of September 2025, while the average cushion stood at around Rs. 14.7 crore between October 2024 and September 2025. The company does not have any repayment obligation in the near-to-medium term. Overall, ICRA expects PFPL to be able to meet its near-term funding requirement through internal cash flow generation in the absence of any major capital expenditure plan.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a sustained growth in revenues and earnings, strengthening its financial risk profile and liquidity position.

Negative factors – ICRA may downgrade the ratings if there is a significant decline in revenues or earnings, or if any major debt-funded capital expenditure, or a further elongation in the working capital cycle weakens the liquidity position and debt protection metrics on a sustained basis. Specific credit metrics, which could result in ratings downgrade include an interest coverage of less than 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Fabric Textiles - Apparels
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

Established in 1980, PFPL manufactures men's and women's ethnic wear and dyeing of fabric. The company also sells garments including salwaar-kameez-dupatta sets under its brand name, Naari. PFPL's registered office is in Andheri, Mumbai and its production facility is in Tarapur, Thane district.

PFPL's product basket comprises embroidered fabrics in polyester, cotton, rayon as well as blends for shirting, dress materials, salwaar kameez dupatta, sarees, kurtas, blouses, curtains etc. The company also manufactures non-embroidered fabrics for which it carries out dyeing and finishing of fabrics after acquiring grey fabric. The company has in-house capacity for fabric processing (for 1.5 million meters per month), while garment manufacturing is done on a job work basis.

Key financial indicators (audited)

PFPL	FY2024	FY2025
Operating income	212.9	182.6
PAT	10.2	4.7
OPBDIT/OI	9.9%	5.7%
PAT/OI	4.8%	2.6%
Total outside liabilities/Tangible net worth (times)	1.0	0.7
Total debt/OPBDIT (times)	1.9	3.1
Interest coverage (times)	5.5	3.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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

Current year (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Nov 18, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	20.00	[ICRA]BBB-(Stable)	Aug 28, 2024	[ICRA]BBB-(Stable)	May 11, 2023	[ICRA]BBB-(Stable)	-	-
Term Loan	Long term	2.00	[ICRA]BBB-(Stable)	Aug 28, 2024	[ICRA]BBB-(Stable)	May 11, 2023	[ICRA]BBB-(Stable)	-	-
Bank Guarantee	Short term	1.00	[ICRA]A3	Aug 28, 2024	[ICRA]A3+	May 11, 2023	[ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term– Term loans	Simple
Long term – Fund Based – Cash credit	Simple
Short term – Non fund based	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	Term Loans	FY2026-FY2027	NA	FY2030-FY2031	2.00	[ICRA]BBB- (Stable)
NA	Cash credit	-	NA	-	20.00	[ICRA]BBB- (Stable)
NA	Short term - Non fund based	-	NA	-	1.00	[ICRA]A3

Source: Company

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

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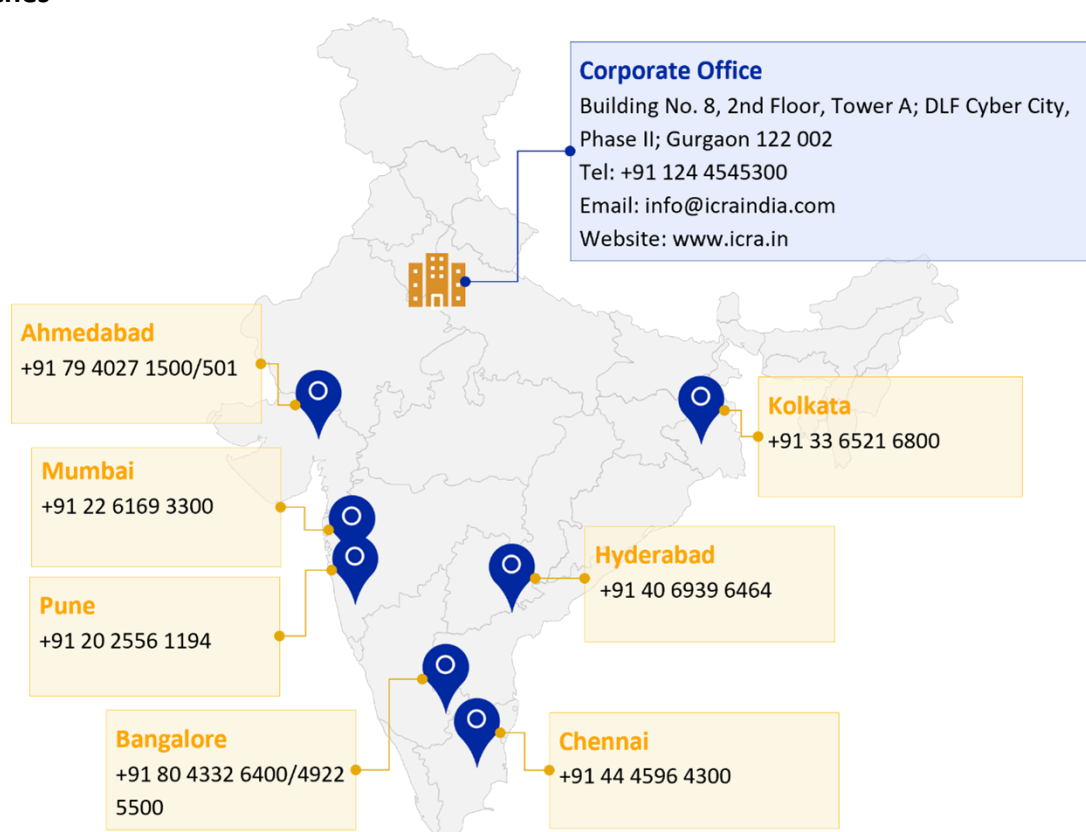
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