

March 19, 2026

## GTN Industries Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term – Fund based	54.00	54.00	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed
<b>Total</b>	<b>54.00</b>	<b>54.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmed ratings continue to factor in GTN Industries Limited's (GTNIL's) linkage with a strong group entity, GTN Engineering (India) Limited (GEIL rated [ICRA]A-(Stable)/[ICRA]A2+). It also reflects its high reputation sensitivity to GEIL, along with significant financial and managerial synergies between the two entities. Further, the ratings factor in ICRA's expectation that GEIL and GTNIL's promoters would be willing to extend financial support to GTNIL, should there be a need. There has been a track record of funding support from GEIL in the past. While reaffirming the ratings, ICRA continues to take comfort from GTNIL's established presence in the domestic cotton yarn market and its long relationship with reputed customers in both domestic and export markets. The promoters' extensive experience of more than five decades in the cotton spinning industry also provide comfort. In FY2026, GTNIL's financial performance is expected to remain weak owing to subdued demand conditions, which have led to moderation in realisation in the current fiscal compared to FY2025. The entity has already reported net losses in 9M FY2026. Going forward, its performance will remain contingent on the demand scenario and movements in cotton prices.

The ratings remain constrained by the working capital-intensive nature of operations, characterised by high inventory requirements. This is likely to keep the liquidity position under check. Also, GTNIL operates in an intensely competitive and commoditised spinning industry. Low product differentiation and a fragmented structure translate into limited pricing power and modest profitability. Consequently, earnings remain exposed to volatility in cotton prices, which constrained contribution levels in the past.

The Stable outlook reflects ICRA's expectation that GTNIL's cash flows will remain comfortable relative to its debt service obligations. The company is also expected to continue benefiting from being a part of the GTN Group.

### Key rating drivers and their description

#### Credit strengths

**Established presence in domestic market and extensive experience of promoters** – The company enjoys an established presence in the domestic cotton yarn market and maintains long-standing relationships with reputed customers across domestic and export markets. Its promoters possess extensive experience spanning more than five decades in the cotton spinning industry. Further, the ratings consider GTNIL's linkage with a strong group entity, GEIL, and the significant financial and managerial synergies between them. GEIL also has a demonstrated track record of providing funding support to meet GTNIL's debt obligations.

**Low reliance on external debt** – Other than the NCRPS of Rs. 56.2 crore (Rs. 35.14 crore towards equity component and the balance towards debt component) issued by the entity and subscribed mainly by GEIL, the company has working capital borrowings of around Rs. 14.6 crore and unsecured loans from corporate bodies amounting to Rs. 3.4 crore as on March 31,

2025. The company has nil term loans and exhibits low reliance on external borrowings. ICRA expects this trend to continue over the medium term.

### Credit challenges

**Weak financial risk profile; profitability remains vulnerable to fluctuation in raw material prices** – Cotton constitutes a significant portion of the entity’s total cost of production. Thus, it remains exposed to fluctuations in cotton prices due to various agro-climatic factors and Government policies, including the minimum support price mechanism. This was reflected in FY2025 and 9M FY2026, when financial performance remained subdued owing to inconsistent crop yields and elevated raw material prices. GTNIL also reported net losses of around Rs. 5.8 crore in 9M FY2026 due to subdued demand conditions, which led to moderation in realisation in the current fiscal compared with FY2025. The near-to-medium term performance will depend on overall demand conditions and the availability of raw materials at competitive prices, which is expected to improve gradually.

**Working capital intensive nature of operations** – Given the nature of the business, GTNIL’s working capital intensity remains high, as reflected by net working capital over operating income (NWC/OI) of around 32% as on March 31, 2025. The seasonal availability of raw materials during the harvest period (November-March) necessitates higher stock levels at the end of the procurement season. This, in turn, increases the working capital intensity of operations. High raw material inventory also exposes the company’s margins to sharp volatility in cotton prices, as witnessed in the past.

**Intense competition limits pricing power** – GTNIL operates in an intensely competitive and commoditised spinning industry characterised by low product differentiation and a fragmented structure. These factors result in limited pricing power and moderate profitability.

### Environmental and social risks

**Environmental considerations** - Spinning companies using natural fibres are exposed to agro-climatic risks because the quality, price, and supply of natural raw materials—such as cotton, wool, and silk—depend on climatic conditions, rainfall patterns, and crop infestations, among other factors.

**Social considerations** - The social risk for the sector arises from high labour involvement despite increasing mechanisation. The sector is exposed to risks related to the workforce and protests/social issues with local communities, which might impact expansion or modernisation plans. The entity is also exposed to operational disruption risks arising from the inability to manage human capital efficiently, particularly in relation to employee safety and overall well-being.

### Liquidity position: Adequate

The company’s liquidity position remains adequate with positive cash flow from operations in FY2025. This is expected to improve in FY2026, and ICRA anticipates the cash flow from operations to witness a gradual improvement going forward. The company’s free cash and liquid investments stood at around Rs. 13 crore as on March 31, 2025. It also has a comfortable cushion available within its sanctioned working capital limits. There are no term loan repayment obligations, and capex-related cash outflows remain limited. Such expenditures are expected to be funded through internal accruals.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if there is a healthy and sustained increase in the company’s earnings, along with improvement in debt protection metrics while maintaining a comfortable liquidity position. Specific metrics that could trigger an upgrade include interest coverage above 3.5 times on a sustained basis.

**Negative factors** – Pressure on the ratings may arise if the company fails to demonstrate improvement in its operational and financial performance, or if there is any weakening of linkages with the parent entity.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Textiles - Spinning</a>
Parent/Group support	Group Company: GTN Engineering India Limited (rated [ICRA]A-(Stable)/[ICRA]A2+) The rating assigned to GTNIL factors in the implicit support from GEIL and ICRA's expectation that GEIL and GTNIL's promoters would be willing to extend financial support to GTNIL, should there be a need. There is a track record of funding support from the promoter group in the past.
Consolidation/Standalone	Standalone

## About the company

GTNIL manufactures and trades in cotton yarn and is part of the Hyderabad-based GTN Group, which has diversified business interests ranging from textiles to engineering. The company was founded by Late M. L. Patodia and is currently managed by Mr. M. K. Patodia. The company's shares are listed on Indian exchanges. Earlier, the company had an installed capacity of 97,104 spindles across two spinning units in Medak (Telangana) and Nagpur (Maharashtra). However, the Medak unit was sold to the Group company, GEIL, on May 1, 2022. As a result, the company now operates with 41,856 spindles.

### Key financial indicators (audited)

GTN Industries Limited – Standalone	FY2024	FY2025	9M FY2026*
Operating income	185.4	172.5	122.7
PAT	(6.3)	(4.6)	(5.8)
OPBDIT/OI	(0.8%)	1.1%	(1.5%)
PAT/OI	(3.4%)	(2.7%)	(4.7%)
Total outside liabilities/Tangible net worth (times)	1.8	1.8	-
Total debt/OPBDIT (times)	(48.9)	40.7	-
Interest coverage (times)	(0.4)	0.4	(0.6)

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \* Provisional

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	Type	Current ratings (FY2026)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			Mar 19, 2026	Dec 11, 2024	Jan 25, 2024	Nov 15, 2022	Apr 01, 2022
1 Non-fund Based limits	Short-term	-	-	-	-	[ICRA]A3	[ICRA]A4+
2 Fund based	Long-term/Short-term	54.00	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BB+(Positive); Withdrawn/[ICRA]A4+
3 Unallocated limits	Long-term/Short-term	-	-	-	[ICRA]BBB-(Stable)/[ICRA]A3	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Fund-based	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/Short-term – Fund-based	NA	4.5-5.0%	NA	54.00	[ICRA]BBB- (Stable)/ [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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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.

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