

May 4, 2026

Tirumala Cotton & Agro Products Private Limited: Rating upgraded to [ICRA]BB (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term loan	46.82	43.82	[ICRA]BB (Stable); upgraded from [ICRA]BB- (Stable)
Long term – Fund-based – Cash credit	60.00	75.00	[ICRA]BB (Stable); upgraded from [ICRA]BB- (Stable)
Long term – Unallocated limits	18.60	6.60	[ICRA]BB (Stable); upgraded from [ICRA]BB- (Stable)
Total	125.42	125.42	

*Instrument details are provided in Annexure-II

Rationale

The rating upgrade on the bank lines of Tirumala Cotton & Agro Products Private Limited (TCAPPL) reflects a healthy improvement in profitability, supported by the effective cost control measures undertaken by the entity and a reduction in its working capital intensity. While revenues declined by around 9% on a YoY basis to Rs. 234.3 crore in 10M FY2026, primarily due to a reduction in volumes processed in the less profitable oil division, the increased focus on the better margin yielding cotton yarn division supported an improvement in operating margins. Consequently, operating margins improved by 80 bps to 6.7% in 10M FY2026 compared to FY2025. This, coupled with the reduction in bank borrowings, supported an improvement in its coverage indicators. Interest coverage ratio improved to 2.5 times in 10M FY2026 compared to 1.8 times in FY2025. The coverage and capitalisation metrics are expected to improve further over medium term with projected increase in earnings and reduction in debt levels, aided by return of corporate deposits from its Group entities. The rating also remains supported by established track record and experience of its promoters in the cotton oil extraction and spinning businesses. The location-specific advantages of TCAPPL for being close to the cotton-growing areas of Guntur and the operational efficiency arising from its vertically integrated operations with presence in spinning, oil extraction and refining, along with captive ginning, have been considered for the rating action. Also, 60-65% of its power requirement is met from captive sources, which supports its profitability.

The rating, however, remains constrained by the moderate financial profile, characterised by modest leverage and coverage metrics. However, improved metrics in 10M FY2026 compared to the levels in the past, aided the enhancement in profitability for FY2026. Further, the rating factors in increased working capital requirements, given the seasonality associated with raw material availability, which requires stocking during the harvest season and an elongated working capital cycle. Further, TCAPPL remains exposed to availability and price fluctuations of raw materials, regulatory changes and agro-climatic risks, which, coupled with the fragmented industry structure, results in limited pricing power and keeps the profitability under check.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company is likely to improve its earnings and coverage metrics. Further, the outlook underlines the expectations that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established presence and proximity to cotton-growing areas – TCAPPL has an established presence in the cotton spinning and cottonseed oil industry. The company is among the largest cottonseed oil extractors, with a 500-MTPD seed processing capacity, 350-MTPD solvent extraction capacity, and 50-MTPD refining capacity. Due to declining revenues from its cottonseed oil extraction business, the company made modifications to its oil extraction unit in FY2026 to enable the processing of rice bran oil. TCAPPL's spinning division (cotton yarn) has an installed capacity of 38,800 spindles; the hydel power division has a capacity of 2.4 MW, the windmill has a capacity of 8.3 MW, and the solar power plant has a capacity of 0.7 MW. It also enjoys location-specific advantages, as the plant is near the major cotton-growing belt of Guntur, Andhra Pradesh, leading to better access to raw materials and lower logistics costs. Moreover, TCAPPL has established relationships with suppliers and customers, yielding repeat orders.

Integrated nature of operations – The company's revenue profile is diversified, with vertically integrated operations comprising spinning, oil extraction and refining, along with captive ginning and hydel power, windmill, and solar power, leading to better operational efficiency and value addition. Around 60% of its total power requirement is met through captive power generation, supporting the company's overall earnings. Further, 15% of the cottonseed requirement in the oil division and 30% of the requirement in the spinning division are met through captive ginning.

Credit challenges

Moderate financial profile – TCAPPL's financial profile is characterised by moderate leverage and coverage indicators due to modest earnings, high working capital requirements, and high working capital intensity of around 34.1% in FY2026 (estimated), owing to high year-end stocking. Despite improvement in earnings and a fall in debt levels, the debt protection metrics remained moderate, with interest coverage ratios at 2.5 times as on Jan 31, 2026, compared to 1.8 times as on March 31, 2025. Further, the company's DSCR remained weak at around 0.8 times in FY2026 (estimated). Given a likely improvement in its profitability over the medium term, supported by captive power generation, reduction in bank borrowings, and moderation in raw material prices, key credit metrics are likely to improve over the medium term.

Exposure to regulatory and agro-climatic risks – Given the intense competition and limited pricing flexibility in the business, TCAPPL's earnings remain exposed to agro-climatic risks, as the availability of cotton is seasonal and pricing is subject to the demand-supply scenario, with the cotton season running from mid-September to March every year. TCAPPL is also exposed to regulatory risks with respect to the minimum support price (MSP) for raw cotton, which is decided by the Government every year.

Liquidity position: Adequate

TCAPPL's liquidity position is likely to remain adequate, given the buffer available in the working capital limits, cash generated from operations in excess of around Rs. 10 crore in FY2027, and a reduction in term debt repayment obligations from FY2027 onwards. The entity has a sanctioned working capital limit of Rs. 75 crore, with an average utilisation of 54.3% over the last 12 months ending in March 2026. The entity has free cash and bank balances of Rs. 0.4 crore and a buffer of Rs. 32.8 crore in its working capital facilities as on March 31, 2026. Against these sources of cash, the entity has repayment obligations of Rs. 10.5 crore in FY2027 and Rs. 9.4 crore in FY2028. The entity's liquidity is expected to be supported by the likely receipt of pending subsidy dues over the near to medium term.

Rating sensitivities

Positive factors – TCAPPL’s rating may be upgraded if there is sustained growth in revenues and earnings and if the working capital cycle improves, which, in turn, would lead to an improvement in debt protection metrics and the company’s liquidity position.

Negative factors – The rating may be downgraded, if there is any sustained pressure on the earnings or an elongation of the working capital cycle, which would adversely impact the liquidity position and debt protection metrics of the company. Further, any increase in investments in Group companies, weakening the liquidity position, could also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles (Spinning) Edible Oil
Parent/Group support	Not Applicable
Consolidation/ Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

TCAPPL, located in Guntur, Andhra Pradesh, was set up in 1990 by Mr. Karanam Hanumantha Rao, Mr. Raghava Rao, Mr. B. Jawahar Babu, Mr. Challagundla Basavaiah, Mr. K. Venkata Rama Koteswara Rao, and Mr. K.P.S. Rama Rao. The company is a closely held business and was primarily engaged in cottonseed oil extraction and refining till 2005-06. Subsequently, it diversified into cotton yarn spinning in November 2006. At present, the company has an extraction capacity of 500 MT/day of cottonseed, 350 MT/day of solvent extraction, 36 gins, 38,800 spindles capacity, a 2.4-MW hydel plant, 8.3-MW wind turbine generators, and a 0.7-MW roof-mounted solar plant. During FY2026, the company made some modifications to its oil extraction unit to process rice bran oil.

Key financial indicators (audited)

TCAPPL Standalone	FY2024	FY2025	10M FY2026*
Operating income	371.9	309.0	234.3
PAT	6.0	3.8	
OPBDIT/OI	5.3%	5.9%	6.7%
PAT/OI	1.6%	1.2%	
Total outside liabilities/Tangible net worth (times)	1.8	1.5	
Total debt/OPBDIT (times)	6.8	6.7	
Interest coverage (times)	2.1	1.8	2.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instruments	Current (FY2027)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loans	Long Term	43.82	May 4, 2026	[ICRA]BB (Stable)	-	-	Mar 25, 2025	[ICRA]BB- (Stable)	Feb 15, 2024	[ICRA]BB- (Stable)
Fund based – Cash credit	Long Term	75.00	May 4, 2026	[ICRA]BB (Stable)	-	-	Mar 25, 2025	[ICRA]BB- (Stable)	Feb 15, 2024	[ICRA]BB- (Stable)
Unallocated Limits	Long Term	6.60	May 4, 2026	[ICRA]BB (Stable)	-	-	Mar 25, 2025	[ICRA]BB- (Stable)	-	-
Fund Based Limits	Short Term	-	-	-	-	-	-	-	Feb 15, 2024	[ICRA]A4; Withdrawn
Unallocated Limits	Long term/ Short term	-	-	-	-	-	-	-	Feb 15, 2024	[ICRA]BB- (Stable)/ [ICRA]A4 Withdrawn

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ Fis (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fis	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term loan	Simple
Long term – Fund based – Cash credit	Simple
Long term – Unallocated limits	Not Applicable

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 II: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – Term loans	FY2022-FY2026	NA	FY2027-FY2032	43.82	[ICRA]BB (Stable)
NA	Fund based – Cash credit	NA	NA	NA	75.00	[ICRA]BB (Stable)
NA	Unallocated Limits	NA	NA	NA	6.60	[ICRA]BB (Stable)

Source: Company

Annexure III: List of entities considered for consolidated analysis – Not Applicable.

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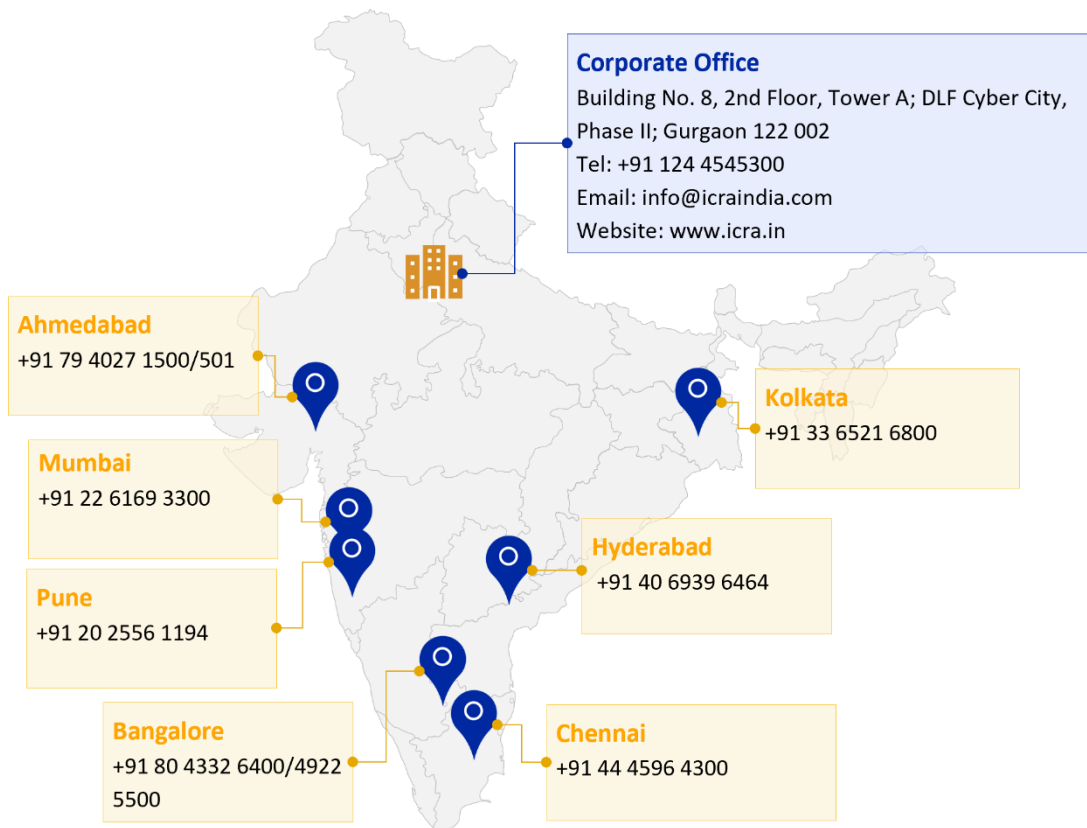
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