

July 06,2026

T C Terrytex Limited: Ratings reaffirmed and removed from Watch with Negative Implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash Credit	136.50	136.50	[ICRA]BBB(Stable); reaffirmed and removed from Watch with Negative Implications
Short -term – Non-Fund based – Bank facilities	29.04	29.04	[ICRA]A3+; reaffirmed and removed from Watch with Negative Implications
Long-term Fund-based – Term Loans	44.36	53.46	[ICRA]BBB(Stable); reaffirmed and removed from Watch with Negative Implications
Long-term Fund-based - Unallocated	10.10	1.00	[ICRA]BBB(Stable); reaffirmed and removed from Watch with Negative Implications
Total	220.00	220.00	

*Instrument details are provided in Annexure II

Rationale

ICRA had placed the ratings of TC Terrytex Limited (TCTL) on Rating Watch with Negative Implications in September 2025, given the uncertainty regarding the extent of impact of tariffs imposed by the US on the credit profile of entity, given its sizeable exposure to the US. Although tariffs were reduced from February 2026, uncertainty persisted regarding the timeline for the company's revenues/order book to revert to the pre-tariff levels. With ICRA now observing a recovery in revenues to the pre-tariff levels, supported by a healthy order book position, the uncertainty has materially reduced. Accordingly, ICRA has removed the ratings from Watch with Negative Implications.

Even as the tariffs imposed adversely impacted the company's scale of operations in FY2026, resulting in a revenue decline of around 13%, the impact was partly mitigated by the management's conscious decision to avoid low-contribution business and the benefit of geographical diversification, with Australia contributing around 30% to revenues in addition to the US. Following the normalisation of tariffs in February 2026, the company has built a healthy order book, which is expected to support a recovery in revenues to the levels exceeding the pre-tariff period. In FY2026, the company reported improved operating margins, supported by better realisations (amid depreciation of the INR against the USD) and operating efficiencies, enabling it to maintain its credit metrics.

ICRA expects the company to report improved revenues in the current fiscal, which, coupled with stable operating margins of 8-9%, is likely to result in an improvement in debt protection metrics. The company reported revenue of approximately Rs. 582 crore in FY2026 (a decline of around 13% over FY2025), with an improved operating margin of around 9.2%, as per provisional financials. Revenue growth beyond the pre-tariff levels is expected in the current fiscal, driven by the normalisation of US tariffs and anticipated increase in order flows from the UK, supported by the likely implementation of the Free Trade Agreement (FTA). The ratings continue to factor in the extensive experience of the promoters and the company's established position as a terry towel exporter from India to key markets such as the US and Australia, catering to reputed brands and retailers. The ratings also consider the company's demonstrated ability to operate at healthy capacity utilisation levels,

supporting steady operating profitability. ICRA notes that the company has filed a Draft Red Herring Prospectus with SEBI for raising funds of up to Rs. 150 crore. Developments in this regard will remain a key monitorable.

The ratings are, however, constrained by the susceptibility of the company's margins to volatility in raw material prices, relatively higher 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 recently completed capex outlay of Rs. 45-50 crore to install 34 new looms with debt of Rs. 29 crore. The capacities were commissioned from April 2026. 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 an improvement in the operating performance, going forward, which is likely to help the company maintain comfortable debt coverage metrics commensurate to the rating level.

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, Homegoods Inc etc.), demonstrating its 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 healthy 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 ~37% in FY2026. 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 and exposes earnings to fluctuations in foreign exchange and raw material prices – The company's profitability is vulnerable to fluctuations in cotton yarn prices. Further, it 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 home 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. The entity is also exposed to revision in export incentives or tariffs by importing countries as well.

Relatively higher customer and product concentration in terry towel segment – The company's client concentration risk remains high, with its top ten customers contributing around 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 50-60% of the overall revenues.

Moderate debt protection metrics – Owing to debt-funded capex undertaken in the past and loans availed, the company’s credit and coverage metrics remain modest, as indicated by Total Debt/OPBDITA of 3.3 times and interest coverage of 2.4 times in FY2026 (as per provisional financials). However, with scheduled repayments of Rs. 15 crore per annum, the company’s coverage metrics are likely to gradually improve, going forward.

Liquidity position: Adequate

TCTL’s liquidity is Adequate, characterised by a cushion of Rs. 23 crore in the form of unutilised working capital limits (with commensurate drawing power) in the past 14 months ended in May 2026. TCTL’s annual net cash accruals are expected at Rs. 29-30 crore/annum over the medium term. Against this, it has debt repayment obligations of Rs. 14-18 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, improving its credit metrics. Further, increased business from a wider set of customers and geographies 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 in the working capital cycle 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 towels from 137 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	FY2024	FY2025	FY2026*
Operating income	654.4	673.5	582.4
PAT	13.4	17.0	15.8
OPBDIT/OI	7.7%	8.8%	9.2%
PAT/OI	2.1%	2.5%	2.7%
Total outside liabilities/Tangible net worth (times)	1.9	1.7	1.5
Total debt/OPBDIT (times)	3.8	3.0	3.3
Interest coverage (times)	2.1	2.4	2.4

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 ratings (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	06-Jul-26	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long Term	136.50	[ICRA]BBB (Stable)	Apr 07, 2025	[ICRA]BBB (Stable)	-	-	Jan 29, 2024	[ICRA]BBB-(Stable)
				May 14, 2025	[ICRA]BBB (Stable)	-	-	-	-
				Sep 23, 2025	[ICRA]BBB;)Rating Watch with Negative Implications	-	-	-	-
Fund-based-Term loan	Long Term	53.46	[ICRA]BBB (Stable)	May 14, 2025	[ICRA]BBB (Stable)	-	-	-	-
				Sep 23, 2025	[ICRA]BBB;)Rating Watch with Negative Implications	-	-	-	-
Fund-based-Unallocated limits	Long Term	1.00	[ICRA]BBB (Stable)	May 14, 2025	[ICRA]BBB (Stable)	-	-	-	-
				Sep 23, 2025	[ICRA]BBB;)Rating Watch with Negative Implications	-	-	-	-

Non-fund based- Others	Short Term	29.04	[ICRA]A3+	Apr 07, 2025	[ICRA]A3+	-	-	Jan 29, 2024	[ICRA]A3
				May 14, 2025	[ICRA]A3+	-	-	-	-
				Sep 23, 2025	[ICRA]A3+; Rating Watch with Negative Implications	-	-	-	-

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 – Cash Credit	Simple
Short-term – Non-Fund based – Bank facilities	Simple
Long-term Fund-based – Term Loans	Simple
Long-term Fund-based – Unallocated	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	Long-term Fund-based – Cash Credit	NA	NA	NA	136.5	[ICRA]BBB(Stable)
NA	Short-term – Non-Fund based – Bank facilities	NA	NA	NA	29.04	[ICRA]A3+
NA	Long-term Fund-based – Term Loans	NA	NA	Feb 2029	53.46	[ICRA]BBB(Stable)
NA	Long-term Fund-based – Unallocated	NA	-	-	1.00	[ICRA]BBB(Stable)

Source: Company

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

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

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