



Press Release
ARUNACHALA GOUNDER TEXTILE MILLS PRIVATE LIMITED
August 07, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.84	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	101.06	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	5.00	-	ACUITE A3 Assigned
Bank Loan Ratings	14.10	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	142.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE BBB-' (read as ACUITE Triple B Minus) from 'ACUITE BB+' (read as ACUITE Double B Plus) and the short-term rating to 'ACUITE A3' (read as ACUITE A Three) from 'ACUITE A4+' (read as ACUITE A Four Plus) on the Rs. 115.16 Cr. bank facilities of Arunachala Gounder Textile Mills Private Limited (AGTMPL). The outlook is 'Stable'.

Further, Acuite has assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE Triple B Minus) and short-term rating of 'ACUITE A3' (read as ACUITE A Three) on the Rs. 26.84 Cr. bank facilities of Arunachala Gounder Textile Mills Private Limited (AGTMPL). The outlook is 'Stable'.

Rationale for Rating Upgrade

The rating upgrade reflects migration of rating from 'Issuer not co-operating' status. The rating also considers the augmentation in business risk profile of the company backed by improvement in the operating performance. Further, the rating also factors in the experienced management and established track record of operations of the company. The rating draws comfort from the moderate financial risk profile and adequate liquidity position. The rating is however constrained on account of the moderately intensive working capital operations and susceptibility of profitability to fluctuations in raw material prices in the competitive textile industry.

About the Company

Incorporated in 1995, Arunachala Gounder Textile Mills Private Limited (AGTMPL) is primarily engaged in manufacturing of viscose yarn. The company operates out of Pallipalayam, Tamil Nadu, and currently has an installed capacity of 35,712 spindles and 19,200 vortex drums (192 machines). AGTMPL also operates a 9.90 MW windmill and a 10.20 MW solar power plant for captive consumption contributing to its energy efficiency. The company is promoted by Mr. Ramesh Natarajan and Mr. Prabhuram Natarajan, who bring over two decades of experience in the textile industry.

Unsupported Rating

Not Applicable

Key Rating Drivers

Strengths

Experienced Management and long-standing operational track record

AGTMPL has been engaged in the manufacturing of viscose yarn for over two decades. The company is promoted by Mr. Ramesh Natarajan and Mr. Praburam Natarajan, both of them are having over two decades of experience in the textile industry. The top management is well-supported by a qualified and experienced second line of leadership. The promoters' longstanding presence in the industry has enabled AGTMPL to build strong relationships with suppliers and customers, ensuring consistent raw material availability and steady off-take. Acuité believes that AGTMPL will continue to benefit from the promoters' established industry presence over the medium term.

Improvement in Revenue and profitability margins

AGTMPL recorded an operating income of Rs. 266.38 crore in FY25 (Prov.), compared to Rs. 251.86 crore in FY24. The improvement in revenue during FY25 was driven by higher utilization levels, and better price realizations. Profitability also improved, with EBITDA margin improved to 11.12 per cent in FY25 (Prov.) from 8.45 per cent in FY24, primarily due to a reduction in raw material costs and the company's ability to pass on costs to customers. The Net profit margin increased to 1.63 per cent in FY25 (Prov.) from 0.25 per cent in FY24. In Q1FY26, the company recorded revenue of Rs. 70.00 crore with an operating profit margin of ~13-14 per cent. Acuité believes, that the operating performance of the company would remain steady with augmentation in newly added capacity.

Moderate financial risk profile

The financial risk profile of the company is moderate, marked by a moderate net worth, average gearing, and moderate debt protection metrics. The tangible net worth stood at Rs. 53.92 crore as on March 31, 2025 (Prov.) as against Rs. 49.57 crore as on March 31, 2024. The increase in net worth is on account of profit accretion to reserves. The total debt of the company stood at Rs. 132.13 crore as on March 31, 2025 (Prov.), comprising long-term debt of Rs. 40.08 crore, short-term debt of Rs. 66.95 crore, and maturing debt repayment obligations of Rs. 12.69 crore. The capital structure is average, with gearing (Debt to Equity) at 2.45 times as on March 31, 2025 (Prov.) compared to 2.74 times as on March 31, 2024. Furthermore, coverage indicators are comfortable, as reflected in the Interest Coverage Ratio (ICR) of 2.02 times in FY25 (Prov.) against 1.48 times in FY24 and debt service coverage ratio (DSCR) of 1.12 times in FY25 (Prov.) compared to 1.03 times in FY24. Acuité believes that the financial risk profile of the company would remain moderate due to the absence of debt-funded capex and steady accruals in the near to medium term.

Weaknesses

Moderately intensive working capital operations

AGTMPL has moderately intensive working capital operations with average gross current asset (GCA) of 158 days in FY25 (Prov.) as against 165 days in FY24. Inventory days stood marginally higher at 73 days in FY25 (Prov.) as against 65 days in FY24. The average inventory holding period of the company stood around 75 days. The debtor days stood at 48 days for FY25 (Prov.) against 53 days for FY24. The average credit period allowed to the customers is around 45 days. The creditor days of the company stood at 57 days for FY25 (Prov.) as against 49 days for FY24. The average credit period allowed by the supplier is around 60 days. The average bank limit utilization for 07 months period ended May 2025 stood at ~86.60 per cent for the fund-based limits. Acuité believes, the working capital requirements of the company would remain moderately intensive on the back of higher inventory days.

Susceptibility of profitability due to volatility in input prices and stiff competition

AGTMPL's profitability is sensitive to fluctuations in raw material prices, especially viscose fibre, which is influenced by substitutes like cotton and polyester. Cotton prices are volatile due to agroclimatic factors and government policies. Despite relatively stable viscose fibre prices, input cost volatility and limited supplier bargaining power pose risks. Additionally, AGTMPL faces intense competition from both organized and unorganized players in the vicinity in the fragmented textile industry.

Rating Sensitivities

- Sustain growth in revenue and profitability margins
- Deterioration in the financial risk profile
- Any elongation in the working capital cycle leading to deterioration in liquidity position

Liquidity Position

Adequate

Liquidity is adequately backed by AGTMPL's net cash accruals, which stood at Rs. 15.40 crore as on March 31, 2025 (Prov.), against maturing debt repayment obligation of Rs. 12.14 crore for the same period. Going forward the NCA are expected in the range of Rs. 16.00 crore to Rs. 18.00 crore for period FY26-FY27 against its repayment obligation of around Rs. 7 to Rs. 10 crore during the same period. The cash and bank balances of the company stood at Rs. 1.09 crore as on March 31, 2025 (Prov.). The current ratio stood at 0.91 times as on March 31, 2025 (Prov.). The average bank limit utilization for 07 months period ended May 2025 stood at ~86.60 per cent for the fund-based limits. Acuité believes that going forward the liquidity of AGTMPL's is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	266.38	251.86
PAT	Rs. Cr.	4.35	0.62
PAT Margin	(%)	1.63	0.25
Total Debt/Tangible Net Worth	Times	2.45	2.74
PBDIT/Interest	Times	2.02	1.48

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2024	Bank Guarantee/Letter of Guarantee	Short Term	0.60	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Letter of Credit	Short Term	12.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Term Loan	Long Term	0.61	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	5.08	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	1.59	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	2.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Proposed Long Term Loan	Long Term	0.33	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Buyers Credit	Long Term	12.87	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Buyers Credit	Long Term	12.97	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	3.39	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Proposed Long Term Loan	Long Term	0.77	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	8.06	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Cash Credit	Long Term	17.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	0.93	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	1.14	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	0.12	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Cash Credit	Long Term	5.70	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	4.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
03 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	0.60	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	8.06	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.93	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.14	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.70	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)

	Term Loan	Long Term	0.61	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.08	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.59	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.33	ACUITE BBB Stable (Reaffirmed)
	Buyers Credit	Long Term	12.87	ACUITE BBB Stable (Assigned)
	Buyers Credit	Long Term	12.97	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.39	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.77	ACUITE BBB Stable (Assigned)
13 Feb 2023	Bank Guarantee/Letter of Guarantee	Short Term	0.60	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	8.06	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.93	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.14	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.70	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.08	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.59	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.33	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.60	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Buyers Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.25	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
CSB Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.70	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.27	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.39	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	19 Jan 2022	Not avl. / Not appl.	19 Jan 2027	0.61	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

Axis Bank	Not avl. / Not appl.	Term Loan	24 Dec 2021	Not avl. / Not appl.	07 Apr 2026	1.93	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Term Loan	20 Feb 2024	Not avl. / Not appl.	20 Jan 2028	1.13	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Term Loan	31 Oct 2022	Not avl. / Not appl.	30 Sep 2027	1.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	31 Jan 2024	Not avl. / Not appl.	28 Feb 2026	0.16	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	19 Feb 2024	Not avl. / Not appl.	19 Jan 2027	3.19	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	07 Jan 2019	Not avl. / Not appl.	07 Apr 2026	0.01	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	29 Dec 2018	Not avl. / Not appl.	07 Apr 2026	0.27	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Term Loan	01 Apr 2023	Not avl. / Not appl.	28 Feb 2026	2.14	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	07 Dec 2024	Not avl. / Not appl.	07 Jul 2030	13.15	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Term Loan	31 Jan 2024	Not avl. / Not appl.	28 Feb 2029	8.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	26 Mar 2021	Not avl. / Not appl.	26 Mar 2026	2.25	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	31 Jan 2024	Not avl. / Not appl.	28 Feb 2026	1.13	Simple	ACUITE BBB- Stable Assigned
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	29 Aug 2024	Not avl. / Not appl.	29 Oct 2025	1.51	Simple	ACUITE BBB- Stable Assigned
Small Industries	Not avl.		10 Nov	Not avl.	10 Oct			ACUITE BBB-

Development Bank of India	/ Not appl.	Term Loan	2024	/ Not appl.	2030	3.22	Simple	Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	07 Apr 2024	Not avl. / Not appl.	07 Mar 2031	5.25	Simple	ACUITE BBB- Stable Assigned
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	10 Nov 2024	Not avl. / Not appl.	10 Oct 2030	7.34	Simple	ACUITE BBB- Stable Assigned

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