

August 19, 2025

Dharmesh Textiles Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	9.30	5.00	[ICRA]A-(Stable); reaffirmed
Long-term – Fund-based – Term Loan	0.40	4.50	[ICRA]A-(Stable); reaffirmed
Short-term – Non-fund based	0.30	0.50	[ICRA]A2+; reaffirmed
Total	10.00	10.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation continues to factor in the steady operational performance of Dharmesh Textiles Limited (DTL), aided by the established track record of the company in non-woven carpet manufacturing business, healthy relationships with customers and backward integrated operations. The entity reported around 8% growth in revenues in FY2025, which coupled with a stable margin of around 8% resulted in generation of healthy cash accruals of around Rs. 25 crore. Further, the healthy financial profile, marked by a conservative capital structure and strong debt coverage indicators, aided by low debt and healthy cash flows, continues to provide comfort. The liquidity position of the company remains adequate, marked by low utilisation of working capital limits. DTL is expected to generate steady cash from operations in FY2026, which would help it maintain adequate debt coverage metrics, even as it undertakes incremental debt to fund its ongoing capex plans.

The ratings remain constrained by DTL's modest scale, albeit an improvement over the years, and moderate profit margins due to its stiff competition from cheaper Chinese imports and local players, which limit its pricing flexibility and bargaining power with customers. The same is reflected in an operating profit margin of 7-9% in the past three years (during FY2023 to FY2025) compared to an average operating profit of 11.0-12.0% in the previous years. Nonetheless, addition of new products in the recent years and planned increase in capacity of the existing products would support the company in diversifying its operations and increasing its revenue base. The company is in the midst of incurring large capital expenditure (capex) of around Rs. 80 crore towards planned capacity expansion and is expected to fund the same with a mix of debt and internal accruals. The entity has already incurred cost of around Rs. 51 crore till July 2025 and expects completion within this fiscal. Larger-than-expected reliance on debt and time/cost overrun would be closely monitored. The working capital intensity of the company remains on the higher side as DTL maintains adequate inventory in the form of raw materials and finished goods for smooth execution of its production process and to meet the immediate demand of its customers.

The Stable outlook on the long-term rating reflects ICRA's opinion that the credit profile of the company is expected to remain adequately supported by steady cash flow and healthy liquidity position, which will help limit its dependence on debt. The company is expected to continue to register a steady growth in its revenues, backed by an experienced management team and an established presence in the non-woven carpet business.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – The promoters of the company have been involved in the manufacturing of non-woven carpet and polyester staple fibre for more than two decades. The company has a long track record of business and has a strong relationship with its customers and suppliers, which supported its business growth over the years.

Comfortable capital structure and healthy debt protection metrics – The company's reliance on external debt has remained limited. The company utilises its internal accruals and available cash and liquid balances before availing of bank limits. DTL's capital structure remained comfortable with healthy accruals and no major long-term loans as on March 31, 2025 (provisional). The company's interest coverage ratio and DSCR stood at 28.1 times and 20.7 times, respectively as on March 31, 2025 (provisional estimates). With a conservative debt profile, the company's debt protection metrics are likely to remain healthy in the near term. The company is in the process of increasing capacities of existing products with a cost of Rs. 80 crore. This is expected to be funded through a mix of term loans and internal accruals. The debt coverage metrics are expected to moderate in the near-to-medium term owing to addition of debt but are expected to remain at comfortable levels.

Benefits derived from backward integrated operations – Benefits of backward integration in terms of PSF manufacturing ensures easy availability of raw materials, better quality control, absence of transportation costs and other operational efficiencies.

Credit challenges

Moderate profit margins – The operating profit margin of the company has remained at a moderate level of 7-9% in the past three years compared to 11.0-12.0% in the previous years. Apart from competition and low entry barriers, low value addition in producing non-woven carpets limits the company's profitability to a large extent.

Exposed to high working capital intensity – The company is required to maintain adequate inventory in the form of raw materials and finished goods for smooth production process and to meet the immediate demand of its customers, which increases the inventory cycle. Owing to intense competition in the industry, the company has low bargaining power and allows a credit period of 2-3 months to its customers due to which DTL's working capital intensity (depicted by NWC/OI) remained high at 22.7% as on March 31, 2025. Nonetheless, a comfortable credit period available from creditors and low reliance on working capital limits provide some comfort.

Exposed to intense competition – The Indian carpet industry is characterised by numerous small players and is concentrated in the northern part of India, which contributes a significant portion to India's total carpet production. Besides, low entry barriers and less capital-intensive nature of the carpet industry make it highly lucrative and thus competitive. DTL faces stiff competition from cheaper Chinese imports and local players in a highly fragmented industry with a large number of small players, which limits its pricing flexibility and bargaining power with customers, putting pressure on its margins.

Liquidity position: Adequate

DTL's liquidity position remains **adequate**, supported by steady cash flow, free cash and liquid investments of ~Rs. 4 crore as of March 2025 and sufficient cushion of Rs. 15 crore as of June 30, 2025 in the form of undrawn bank lines. Further, the debt repayment liability (Rs. 6.9 crore in FY2027) regarding new capex is expected to be met comfortably with cash flows, going forward. The ongoing capex of Rs. 80 crore is expected to be funded through a mix of term loans and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade DTL's ratings if there is a significant growth in revenues and profitability, along with an improvement in the liquidity position on a sustained basis.

Negative factors – Pressure on DTL’s ratings could arise if there is a sharp decline in its revenues and profitability, resulting in lower cash flows and weakening of debt coverage metrics on a sustained basis. An elongation of working capital cycle, impacting the company’s liquidity position, could also be a trigger for ratings downgrade. Specific credit metric that could result in ratings downgrade include an increase in Total Debt/OPBDITA to more than 2.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the company

About the company

Dharmesh Textiles Limited (DTL) manufactures non-woven carpets and recycled polyester staple fibre at its manufacturing facility in Bhiwani (Haryana). It has an annual installed manufacturing capacity of 450 lakh square metre of non-woven carpets and 26,000 metric tonnes of recycled polyester staple fibre as of March 31, 2025. The company sells its non-woven carpets under the Sundaram brand in varieties including plain, ribs, jacquard, velour, coated and non-coated etc. The carpets manufactured by the company are used in exhibitions, hotels, tent houses, public events, large gatherings, among others. DTL had also set up a carpet tiles manufacturing unit along with a noodle carpet cushion mat and digital printed carpet in its existing factory in FY2022. The company is generating additional revenue from artificial grass carpets.

Key financial indicators

Standalone	FY2024	FY2025*
Operating income	343.4	371.8
PAT	18.1	19.1
OPBDIT/OI	8.8%	8.6%
PAT/OI	5.3%	5.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.6
Interest coverage (times)	46.4	28.1

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	19-Aug-25	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	5.00	[ICRA]A-(Stable)	Sep 17, 2024	[ICRA]A-(Stable)	Jul 17, 2023	[ICRA]A-(Stable)	May 18, 2022	[ICRA]BBB+(Stable)
				-	-	Jan 31, 2024	[ICRA]A-(Stable)	-	-
Fund Based-Term Loan	Long Term	4.50	[ICRA]A-(Stable)	Sep 17, 2024	[ICRA]A-(Stable)	Jul 17, 2023	[ICRA]A-(Stable)	May 18, 2022	[ICRA]BBB+(Stable)
				-	-	Jan 31, 2024	[ICRA]A-(Stable)	-	-
Non Fund Based- Others	Short Term	0.50	[ICRA]A2+	Sep 17, 2024	[ICRA]A2+	Jul 17, 2023	[ICRA]A2+	May 18, 2022	[ICRA]A2
				-	-	Jan 31, 2024	[ICRA]A2+	-	-
Unallocated-Unallocated	Long Term			-	-	Jul 17, 2023	[ICRA]A-(Stable)	May 18, 2022	[ICRA]BBB+(Stable)
				-	-	Jan 31, 2024	[ICRA]A-(Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based – Cash Credit	Simple
Long Term – Fund Based – Term Loans	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long Term – Fund Based – Cash Credit	NA	NA	NA	5.00	[ICRA]A-(Stable)
NA	Long Term – Fund Based – Term Loan	FY2025	NA	FY2029	4.50	[ICRA]A-(Stable)
NA	Short Term – Non-fund based	NA	NA	NA	0.50	[ICRA]A2+

Source: Firm

[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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