

August 29, 2025

Sharadha Terry Products Private 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/ Non-Fund-based – Working Capital Facilities	55.00	55.00	[ICRA]A+ (Stable)/ [ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated Limits	30.00	30.00	[ICRA]A+ (Stable)/ [ICRA]A1+; reaffirmed
Total	85.00	85.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings takes into consideration the strong financial risk profile of Sharadha Terry Products Private Limited (STPPL), which is involved in the business of terry towels and related products, as reflected by a conservative capital structure and strong debt protection metrics along with a strong liquidity position. In line with the previous years, the net debt (total debt less cash/bank and liquid investments) position of the company remained negative as on March 31, 2025 [provisional (P)], and this trend is expected to persist. The overall performance of STPPL, on a consolidated basis, witnessed an improvement in FY2025 with its operating income increasing by around 8% on a YoY basis. Its operating profit margin (OPM) also improved to 11.8% in FY2025 (P) from 9.7% in FY2024. ICRA expects a gradual increase in the company's revenue following the commissioning of the rugs division in March 2025 and expects the profitability to remain steady. Reduction in discretionary spending due to recessionary trend resulted in a contraction in demand from the US since the last couple of years, impacting STPPL's export to the US. This, along with the management's initiative to increase its geographical reach resulted in an approximately 50% reduction in export to the US over the last couple of years. The management's initiatives to diversify its customer and geographical base of revenue are likely to benefit the company, going forward. The ratings continue to favourably factor in STPPL's strong market position in the terry towel export segment, established relationships with large global retailers and extensive experience of its promoters in the textile industry. The integrated nature of operations with sizeable spinning and weaving capacities supports the ratings.

The ratings, however, remain constrained by intense competition in the textile segment from other domestic and international suppliers, high product concentration risk with the major portion of STPPL's revenue derived from export of terry towels to the US, which exposes its operations to the risk of demand slowdown amid evolving macro-economic conditions. The ratings also consider the vulnerability of STPPL's revenue and profitability to fluctuations in cotton prices and foreign exchange rates. However, the risk is partially mitigated by the company's policy to hedge around 50% of its receivables using forward contract. The ratings are also impacted by the moderate scale of current operations and a high working capital intensive nature of operations owing to high inventory holding. Imposition of reciprocal tariff by the US Government on supply of goods from India and its resultant impact on the top line as well as profitability of the domestic exporters, including STPPL, remains a concern.

The Stable outlook on the long-term rating reflects ICRA's opinion that STPPL will continue to benefit from its established track record of operations in the home textile segment and maintain its business position while sustaining its profitability level in the long run. Also, the company will continue to maintain a sizeable net cash position over the medium term, which depicts strong financial flexibility.

Key rating drivers and their description

Credit strengths

Established position in the terry towel export market and extensive experience of promoters – STPPL is an established manufacturer and exporter of terry towels from India, with an operational track record of around three decades. The company is among the top terry towel exporters from India to the US. Its promoters have extensive experience of over four decades in the textile industry.

Sizeable capacity and integrated nature of operations – While STPPL's revenue is dominated by terry towels, with around 160 looms, it has substantial backward integration into spinning of yarn, which is a raw material for the towels, with an installed capacity of more than 70,000 spindles. Sizeable capacity and high degree of backward integration allow operational flexibility to the company and enable it to capture a large portion of the textile value chain while controlling the quality of raw materials.

Long-term relationships with key customers and established brand name – STPPL has an established association with leading large format retailers in the US, demonstrated by its approved-vendor status and history of repeat orders from key customers. The company focusses on the value-added products in the terry towel segment, which enable it offer differentiation, thereby reducing the risk of customer loss. However, reduction in discretionary spending due to recessionary trend resulted in a contraction in demand from the US, impacting STPPL's dispatch to the said country. Additionally, over the last couple of years, STPPL has been diversifying its export destinations to reduce its overall dependence on the US market. The above two factors led to a reduction in export to the US by around 50% over the last couple of years. STPPL markets its products under the Micro Cotton® brand, which has a healthy brand equity in the premium segment.

Strong financial risk profile; net debt position continues to remain negative – STPPL maintains a strong financial risk profile, characterised by a conservative capital structure and healthy coverage metrics on the back of consistent earnings from operations over the years. Despite a share buyback of around Rs. 123 crore, including tax outflow, the capital structure of the company continues to remain conservative on the back of low reliance on external debt. Further, its financial flexibility is enhanced by a strong liquidity position with sizeable free cash and liquid investments worth more than Rs. 450 crore as on March 31, 2025 (P). Moreover, ICRA notes that the net debt (total debt less cash and liquid investments) of the company remained negative as on March 31, 2025 (P), which is likely to continue in the near-to-medium term. ICRA expects a gradual increase in the company's revenue following the commissioning of the rugs division in March 2025 and expects profitability to remain steady, and coverage indicators to remain strong.

Credit challenges

Moderate scale of current operations – STPPL's scale of operations remains moderate over the last couple of years, despite a sizeable production capacity. ICRA understands that this is partly attributable to the company's focus on high value-added products. In March 2025, the company commissioned its new unit to manufacture rugs and floor covering. The production facilities can manufacture cotton/ polyester/ polyester-cotton mix rugs. Nevertheless, the company's ability to increase its scale of operations on a sustained basis along with an improvement in product and geographical diversification of revenue remains a key monitorable.

High revenue concentration – STPPL's revenue is primarily derived from terry towels while sale of yarn accounts for 20-25% of revenue. Any major customer loss or weak economic environment in major export destinations could have a material adverse impact on STPPL's performance. However, these risks are mitigated to an extent by its established market position and long association with major customers. ICRA also notes the management's initiatives to diversify into new markets, approach new customers in existing markets and expand its market share by offering new products, are likely to benefit business diversification over the medium term.

Vulnerability of revenue and earnings to volatility in raw material prices, foreign exchange rates and export incentives offered by the Government – STPPL's revenue and earnings are exposed to risks arising from volatility in prices of cotton and cotton yarn. This risk is mitigated to an extent by order-backed inventory stocking undertaken by the company and healthy

cash reserves, which allow it to stock inventory at favourable prices. Moreover, being a net exporter, the company is exposed to fluctuations in forex rates. Nevertheless, STPPL hedges around 50% of its receivables, which reduce the risks to an extent. STPPL’s margins are also exposed to risks from changes in the export incentives offered by the Government, which have been extended till March 2026.

High working capital intensity owing to high inventory holding – STPPL’s business remains working capital intensive, with high inventory holding requirements, exposing the profitability to volatility in raw material prices (cotton/ cotton yarn). Besides raw material stocking, large inventory holding also emanates from the requirement of large, finished goods inventories for consignment-based dispatches in export orders. As a result, reliance on working capital borrowing remains high, as reflected by NWC/OI of 67% in FY2025 (P) against 70% in FY2024.

Liquidity position: Strong

The company’s cash flow from operations, on a consolidated basis, continued to remain positive in FY2025 (P), which although was in line with the previous years, had moderated due to higher working capital requirement, which was necessary to sustain the top line growth. In view of the likely increase in the scale of operations, the overall working capital requirement is expected to increase and is likely to lead to a negative cash flow from operations, going forward. STPPL, on a consolidated basis, had a surplus cash/ bank balance and current investment of around Rs. 450 crore as on March 31, 2025. The average working capital utilisation of the company stood at a low level of around 21% during the last 15 months, ended in June 2025, leaving adequate buffer. The company has no long-term debt repayment obligations at present. In view of sizeable liquid investments, undrawn working capital lines and absence of any planned capital expenditure, ICRA expects the overall liquidity position of the company to remain strong, going forward.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if the scale of operations and earnings register a strong growth on a sustained basis and the business profile becomes more diversified with addition of new customers across geographies.

Negative factors – ICRA may downgrade the ratings in case of any sustained pressure on the operating performance due to loss of business from any of its key customers. Any large debt-funded capital expenditure and/or significant share buyback or dividend payout, adversely impacting its capital structure and liquidity position could also be a trigger for ratings downgrade. Specific credit metric that may trigger ratings downgrade includes total debt/OPBITDA of more than 1.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Spinning Textiles - Fabric
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of STPPL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

Incorporated in 1992 by Mr. Govindasamy Kannappan, Sharadha Terry Products Private Limited (STPPL) manufactures and markets cotton terry towels and related products. The company has vertically integrated spinning, weaving and processing facilities in Coimbatore with an installed capacity of over 70,000 spindles and around 160 looms. In March 2025, the company

commissioned a new unit to manufacture rugs and floor covering. STPPL primarily markets its products under its brand name Micro Cotton® to reputed customers in the international market.

Key financial indicators (audited)

STPPL	Standalone			Consolidated		
	FY2023	FY2024	FY2025*	FY2023	FY2024	FY2025*
Operating income	445.6	360.0	389.8	445.7	359.5	389.7
PAT	58.3	57.0	63.9	58.3	57.0	63.5
OPBDIT/OI	14.3%	9.7%	10.5%	14.3%	9.7%	11.8%
PAT/OI	13.1%	15.8%	16.4%	13.1%	15.9%	16.3%
Total outside liabilities/Tangible net worth (times)	0.0	0.0	0.0	0.0	0.0	0.0
Total debt/OPBDIT (times)	0.4	0.9	0.6	0.4	0.9	0.6
Interest coverage (times)	26.4	12.0	20.6	26.3	12.0	22.9

Source: Sharadha Terry Products Private Limited, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore
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

Current ratings (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs. crore)	Aug 29, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Working Capital Facilities	Long-term/ Short-term	55.00	[ICRA]A+ (Stable)/ [ICRA]A1+	May 24, 2024	[ICRA]A+ (Stable)/ [ICRA]A1+	May 25, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-
Unallocated Limits	Long-term/ Short-term	30.00	[ICRA]A+ (Stable)/ [ICRA]A1+	May 24, 2024	[ICRA]A+ (Stable)/ [ICRA]A1+	May 25, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based/ Non-Fund-based – Working Capital Facilities	Simple
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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based/ non-fund based working capital facilities	-	-	-	55.00	[ICRA]A+ (Stable)/ [ICRA]A1+
NA	Unallocated limits	-	-	-	30.00	[ICRA]A+ (Stable)/ [ICRA]A1+

Source: Sharadha Terry Products Private Limited

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

Annexure II: List of entities considered for consolidated analysis

Company Name	STPPL's Ownership	Consolidation Approach
Microcotton Inc.	100%	Full Consolidation
Heramba Holdings Private Limited	100%	Full Consolidation
Sri Kumaraguru Holdings Private Limited	100%	Full Consolidation
Sri Muka Holdings Private Limited	100%	Full Consolidation
Shanmugha Vadivel Holdings Private Limited	100%	Full Consolidation
Vadivelan Holdings Private Limited	100%	Full Consolidation
Microcotton India LLP	100%	Full Consolidation
Home Concepts LLP (formerly Seyon Wind Energy LLP)	100%	Full Consolidation

Source: Annual Report; Sharadha Terry Products Private Limited

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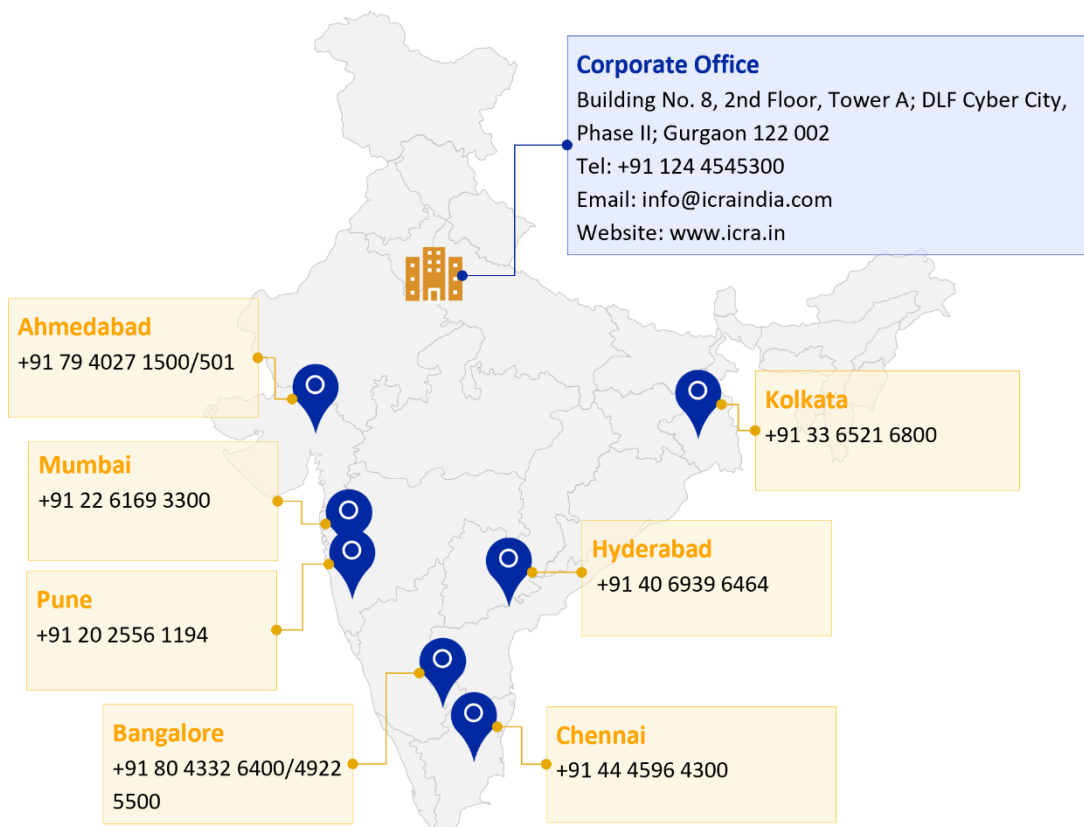
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