

September 23, 2025

## Kapoor Industries Limited: Ratings reaffirmed; outlook revised to Stable from Positive

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loan	2.80	0.00	-
Long-term non-fund based	0.25	0.25	[ICRA]AA-(Stable); reaffirmed and outlook revised from Positive
Short-term fund-based	320.00	320.00	[ICRA]A1+; reaffirmed
Short-term non-fund based	2.00	2.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>325.05</b>	<b>322.25</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA had earlier revised the outlook for the long-term rating of Kapoor Industries Limited (KIL) to Positive, with an expectation that the credit profile of the company would strengthen, aided by its continuing position as a leading supplier of premium terry towels to renowned US retailers and its industry-leading profitability metrics. The revision in outlook on the long-term rating to stable reflects an expectation that the recent tariff impositions by the US government will have a moderating impact on the company's earnings over the near term and constrain any improvement in the company's credit profile. ICRA notes that *the latest round of US tariffs—effective August 27, 2025—has added a punitive 25% duty on select Indian goods, significantly increasing the overall tariff burden. This escalation places Indian exporters at a disadvantage compared to competitors in East and Southeast Asia, who continue to benefit from lower tariff rates.*

As per discussions with the company's management, the impact of the initial set of 10% tariffs imposed in April 2025 was offset to an extent by using product re-engineering, with the remaining limited impact absorbed by the customers. Thereafter, when the tariff was increased to 25% in early August 2025, the increase was passed on to the retailers, who in turn hiked the retail prices across product categories. As per KIL, the tariff impact of up to 25% (excluding the additional punitive tariff of 25%) has been inbuilt into the pricing arrangement with various customers, with no impact on its offtake/margins. The recent tariff of 25% has been a more challenging one and KIL has negotiated with its buyers and passed on some discounts to them, which is expected to impact the margins to some extent in H2 FY2026. The order book for the entity continues to stay healthy and is likely to help it maintain a healthy scale of operations in the near term.

The ratings continue to positively factor in KIL's position as a leading supplier of premium terry towels to major US retailers and its industry-leading profitability metrics that have shown a structural improvement over the years. The company's established relationships with large and credentialed buyers, and its operational strengths, including cost-efficient and highly automated operations, have helped it scale up its business over the years. Since FY2019, the company's revenues, predominantly driven by exports to the US market, have increased at a compounded annual growth rate (CAGR) of about 13%, touching almost Rs. 1,300 crore in FY2025 (provisional financials). Over the same period, its OPBITDA increased by around 23%, while the net profits surged by nearly 30%. The company's OPBITDA margins, which used to be in the range of 14-15% till FY2020 have expanded since then, remaining at over 20% during the past three years.

As business has expanded, the company has been incurring capital expenditure (capex) towards modernising its existing facilities (to support cost efficiencies) and expanding capacities (to support growth). Its capital allocation has been judicious, reflected in the company's core Return on Capital Employed (RoCE) consistently rising from 23% in FY2019 to 40% in FY2025.

Over the past five years, KIL reported aggregate cash flows from operations of Rs. 700 crore, nearly half of which were reinvested as capex. While the company availed long-term debt to fund the capex, it accounted for only about 30% of the aggregate capex incurred, indicating a prudent approach towards funding growth. As on August 31, 2025, the company only had external debt in the form of working capital borrowings. Further, the company's liquidity position remains strong, reinforced by cash and liquid investments of more than Rs. 350 crore as on August 31, 2025.

KIL has remained focused on product premiumisation, which has allowed it to operate in a competitively less intense niche segment (premium terry towels market). Further, the company has been focused primarily on the US market, which is consumption-driven and has historically shown less volatility in real personal consumption expenditure compared to European and various emerging markets, including India. Lack of diversity in the product slate and geography, given the management's preference for a focused approach, has not caused any material earnings volatility over the past decade. While this has been a strength so far, lack of diversity in products and geographies could weigh on the credit profile if the end-user market matures, or consumer demand changes in unanticipated ways, or when competition intensifies with time. These risks constrain the company's long-term rating. Another concern is the high, although reducing, dependence of earnings on export incentives. In FY2025, export incentives accounted for 37% of the company's OPBITDA, although this share was much higher at 54% in FY2019. The risk of withdrawal or decline in export incentives by the Government of India to exporters like KIL remains an important downside risk. The company's profitability also remains exposed to the risk of fluctuating cotton yarn prices (a key raw material) and currency.

## Key rating drivers and their description

### Credit strengths

**Established position in the terry towel export industry** – KIL is an established manufacturer and exporter of terry towels, featuring among India's top exporters to the US in the category. Besides regular bath towels, KIL is also a niche player in fashion and kitchen towels, involving higher value addition with embroidery and use of jacquard looms for designs and patterns. The incremental value addition is reflected in the higher operating margins enjoyed by the company, compared to other domestic players in the terry towel export business.

**Long association with leading large format retailers in the US provides revenue visibility** – KIL has an established association with leading large format retailers in the US. Backed by its ability to secure sizeable repeat orders from an established clientele and add new customers, KIL's sales grew at a healthy pace over the years, despite a decline in FY2024. KIL reported an operating income of Rs. 1,287 crore in FY2025 (as per provisional financials) against Rs. 1,004 crore in FY2024 and an operating margin of 23.6% in FY2025 over 26.3% in FY2024. Even as material tariffs pose near term concerns, the long association of KIL with leading large format retailers in the US provides comfort.

**Healthy return metrics, capitalisation and debt coverage indicators** – KIL's demonstrated operational efficiencies, its emphasis on value addition, and benefits from the Government in the form of export incentives have supported its stable and healthy profitability over the years, as reflected in healthy operating margins. KIL has been undertaking calibrated capex over the years for capacity expansion and to improve its operational efficiencies. This has facilitated an improvement in its operating margins and consistently healthy ROCE. Moreover, KIL's healthy profits and cash accruals, together with limited debt repayments, continue to support healthy debt coverage indicators (DSCR of about 5.9 times in FY2025). Over the years, KIL's calibrated capex, together with low reliance on debt owing to the healthy surplus cash accrual generation capacity of its business, has helped it maintain comfortable leverage (Total Debt/Tangible Net Worth of about 0.3 times as on March 31, 2025 and Debt/OPBDITA at 0.7 times for FY2025). The debt coverage indicators are likely to remain healthy, going forward as well.

### Credit challenges

**Exposed to product, geographical and customer concentration risks** – While KIL has expanded its product portfolio to include other textile made-ups like bathmats, rugs, bath robes, cooking gloves, etc, its dependence on terry towels remains high

(accounting for more than about 90% of its sales in the past two fiscals). Further, it continues to derive most of its revenues from exports to the US (more than 90% of total exports), resulting in its vulnerability to demand trends in the key US market. In this regard, the recent uncertainty over the imposition of import tariffs by the US on KIL's business prospects remains a key monitorable. Besides, the company's customer concentration risk is high, with its top five customers accounting for close to 60-70% of its sales.

**Profitability vulnerable to volatility in cotton yarn prices and fluctuations in forex rates** – KIL's profitability is vulnerable to volatility in cotton yarn prices, as there is a lag between order booking and deliveries. As KIL derives 95% of its revenues from exports (including gains from exchange rate differences and export incentives) with limited dependence on imported raw materials, its profitability is exposed to fluctuations in forex rates. However, the company's demonstrated track record of maintaining healthy profitability during the last few years, despite volatilities in cotton and cotton yarn prices, provides comfort. Further, KIL's policy of hedging around 65% of its forex exposure partially mitigates the forex risk.

**Vulnerability of profitability to changes in export incentive structure** – Like other textile exporters, KIL's profitability is supported by export incentives, which historically accounted for 30-40% of its operating profits. In addition, these incentives support sales growth by making domestic textile manufacturers competitive in the global market. This exposes the exporters' profitability to any adverse policy changes. In recent years, there have been several revisions in the export incentive structure as well as rates, resulting in lack of clarity for exporters while pricing their products. However, the Government has extended the benefits of Rebate on State and Central Taxes and Levies (RoSCTL) for two years till March 31, 2026, which has provided the much-needed clarity, supporting the exporters' ability to effectively price their products for the next two years.

### Liquidity position: Strong

KIL's liquidity position remains **strong**, characterised by cash and liquid investments of more than Rs. 350 crore as on August 31, 2025. ICRA expects KIL's cash flow from operations as well as accumulated liquid balance to be more than sufficient to meet margin requirements for its capex (around Rs. 110 crore in FY2026).

### Rating sensitivities

**Positive factors** – ICRA could upgrade KIL's long-term rating if the company is able to sustain a healthy scale of operations and profitability over the medium term, while maintaining healthy return and coverage metrics.

**Negative factors** – Pressure on KIL's ratings could arise if there is a sustained pressure on revenues and profitability and/ or an elongation of working capital cycle, resulting in a moderation in its return metrics and liquidity profile. Further, higher-than-anticipated dividend/ share buyback, together with sizeable capex, resulting in increased dependence on external debt could also exert pressure on the ratings. Specific metrics, which could trigger a rating downgrade include an interest cover of less than 7.0 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial risk profile of KIL.

### About the company

Incorporated in 2012 by the Kapoor family and headed by Mr. PK Kapoor, Mr. Ashish Kapoor and Mr. Mohit Kapoor, KIL designs, manufactures and markets textile made-ups like terry towels, bath mats, rugs and bath robes. KIL is among the top exporters

to the US in its product category with most of its revenues coming from exports, mainly to US-based large format retailers. Its manufacturing units are at Panipat (Haryana), with a weaving capacity of nearly 20,000 tonnes per annum as of March 31, 2025. After the company's ongoing capacity expansion, its weaving capacity will increase to around 23,000 tonnes per annum by the end of FY2026.

### Key financial indicators (audited)

Standalone	FY2024	FY2025*
Operating income	1,004.1	1,287.3
PAT	162.6	193.0
OPBDIT/OI	26.3%	23.6%
PAT/OI	16.2%	15.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.6	0.7
Interest coverage (times)	15.6	14.0

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 rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	23-Sep-25	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Non Fund Based-Others</b>	Long Term	0.25	[ICRA]AA - (Stable)	Apr 29, 2025	[ICRA]AA- (Positive)	Apr 29, 2024	[ICRA]AA- (Stable)	-	-	Jul 29, 2022	[ICRA]A+ (Positive)
				-	-	-	-	-	-	Feb 01, 2023	[ICRA]AA- (Stable)
<b>Fund Based-Term Loan</b>	Long Term	0.00	-	Apr 29, 2025	[ICRA]AA- (Positive)	Apr 29, 2024	[ICRA]AA- (Stable)	-	-	Jul 29, 2022	[ICRA]A+ (Positive)
				-	-	-	-	-	-	Feb 01, 2023	[ICRA]AA- (Stable)
<b>Fund Based-Cash Credit</b>	Short Term	320.00	[ICRA]A1+	Apr 29, 2025	[ICRA]A1+	Apr 29, 2024	[ICRA]A1+	-	-	Jul 29, 2022	[ICRA]A1+
				-	-	-	-	-	-	Feb 01, 2023	[ICRA]A1+

<b>Non Fund Based-Others</b>	Short Term	2.00	[ICRA]A1+	Apr 29, 2025	[ICRA]A1+	Apr 29, 2024	[ICRA]A1+	-	-	Jul 29, 2022	[ICRA]A1+
				-	-	-	-	-	-	Feb 01, 2023	[ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term non-fund based	Simple
Short-term fund-based	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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term non-fund based	-	-	-	0.25	[ICRA]AA-(Stable)
NA	Short-term fund-based	-	-	-	320.00	[ICRA]A1+
NA	Short-term non-fund based	-	-	-	2.00	[ICRA]A1+

Source: Company

[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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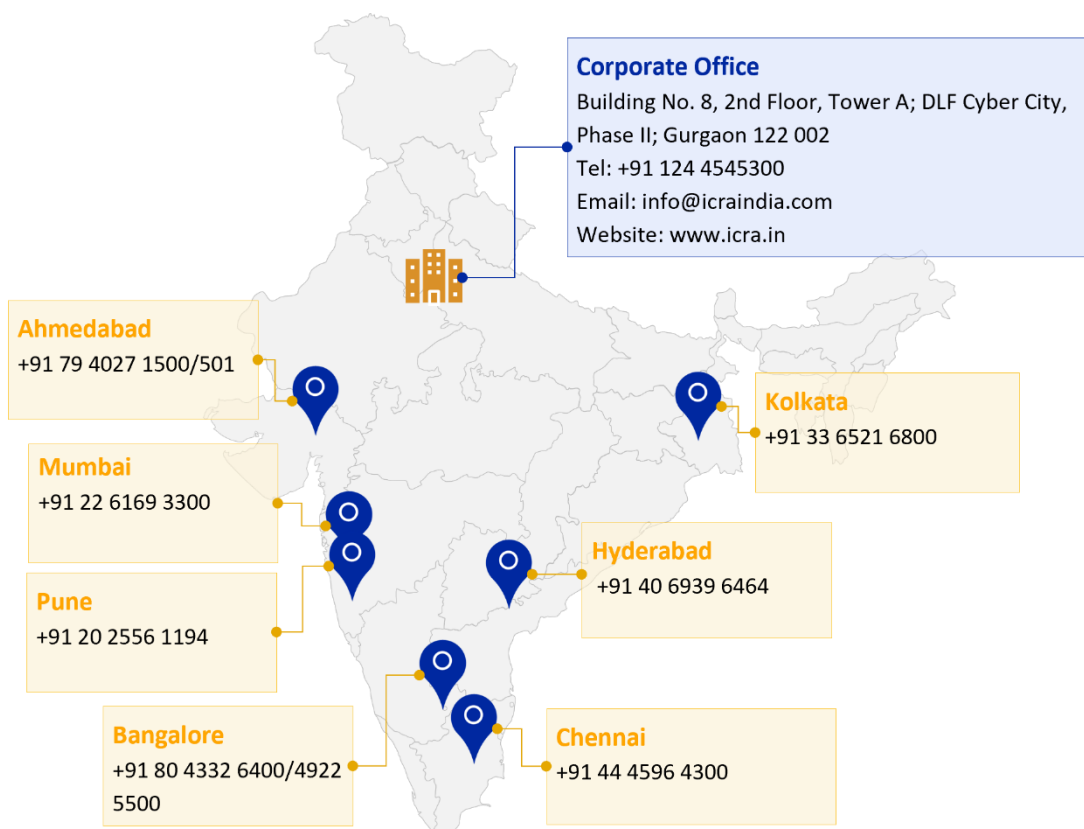
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