

March 26, 2026

## Sri Narasus Coffee Company Private Limited: Ratings upgraded to [ICRA]A (Stable)/ [ICRA]A1

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based – Working capital facility	34.90	34.90	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable)
Short term – Interchangeable	(19.90)	(19.90)	[ICRA]A1; Upgraded from [ICRA]A2+
Long term – Unallocated	2.50	2.50	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable)
<b>Total</b>	<b>37.40</b>	<b>37.40</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade for Sri Narasus Coffee Company Private Limited (SNCPL) considers its expected improvement in performance in FY2026, which is expected to sustain in the coming fiscal as well. In FY2026, the operating income is expected to grow by ~19%, driven by a significant increase in realisation for both segments, roast and ground (R&G) coffee as well as instant coffee. The leverage and coverage metrics continue to be comfortable, with an expected TD/OPBDITA of ~0.81 times and an interest coverage of 8.57 times in FY2026. While the raw material costs increased during the year, the elevated realisation somewhat offset the increase in raw material cost, resulting in similar operating margin of ~6.5% expected in FY2026, compared to 6.7% reported in FY2025. However, raw material (RM) prices have started declining owing to higher global coffee bean production, and further RM price increases are not expected, which would positively favour the margins as well. The ratings also consider the extensive experience of the promoters, its proven operational track record in the coffee industry and its established market position in the R&G coffee segment in Tamil Nadu, aided by its strong brand presence and a wide distribution network.

Working capital (WC) utilisation has been lower against the drawing power of SNCPL. The requirement has been funded primarily through the usage of available liquidity. The current unused WC balance remains adequate at Rs 34.9 crore as of February 2026 with nil utilisation. The WC utilisation is expected to continue to be low as well going forward.

The ratings remain constrained by the high geographical concentration of SNCPL's revenues in both the domestic and export markets, exposing its revenues to the risk of changes in consumer preference. Besides the volatility in raw material prices, the company is vulnerable to competition and the adverse economic developments in its key export markets. The ratings factor in the limited growth potential in the R&G segment owing to the growing preference among consumers for instant coffee and the intense competition in the domestic instant coffee segment.

The Stable outlook on the long-term ratings of SNCPL reflects ICRA's expectations that the company will continue to benefit from a diversified business profile and its established market position in the R&G segment in Tamil Nadu with a wide distribution network.

### Key rating drivers and their description

#### Credit strengths

**Improvement in financial profile in FY2026, which is expected to sustain going forward** - In FY2026, the operating income is expected to grow by ~19%, driven by a significant increase in realisation for both segments, R&G coffee and instant coffee. While the raw material costs increased during the year, the higher realisation somewhat offset the increase in raw material

cost, resulting in similar expected operating margin of ~6.5% in FY2026, compared to 6.7% reported in FY2025. However, raw material (RM) prices have started declining owing to higher global coffee bean production, and further RM price increases are not expected, which would positively favour the margins as well. The leverage and coverage metrics continue to be comfortable with an expected TD/OPBDITA of ~0.81 times and an interest coverage of 8.57 times in FY2026.

**Established presence in the R&G and instant coffee segments** – SNCPL has an established presence in Tamil Nadu in the R&G and instant coffee segments, which has enabled the company to garner a strong market share in the state. It has a strong customer base in Tamil Nadu for the flavour and aroma of its R&G products, leading to stable revenue in the segment. It has a wide network of retail outlets across several locations in Tamil Nadu, which ensures smooth distribution and easy availability of products. Apart from its own retail network, it sells its products through distributors and supermarkets in Tamil Nadu and other states. Further, the business profile is diversified, with presence in the instant coffee segment, both in the domestic and export markets (which accounted for 65% of total revenues in FY2025 and 10M FY2026), which has supported SNCPL's revenues over the years.

**High entry barriers in branded coffee business due to regional preference for different aroma/flavour** – SNCPL's established presence in the domestic R&G segment has enabled the creation of a strong consumer base for the flavour and aroma of its coffee. This ensures repeat purchases from its customers and aids revenue stability under its R&G segment to an extent.

### Credit challenges

**Exposed to high geographical concentration domestically** – In the domestic market, the company derives close to 90% of its revenues from Tamil Nadu in both the R&G and instant coffee segments, resulting in high geographical concentration. Moreover, intense competition in both the segments limits SNCPL's growth potential. Besides, its geographical concentration in the export segment is high as more than 80% of its export revenue was derived from the top two export destinations in FY2025 and 10M FY2026. Nevertheless, SNCPL has been able to leverage its brand equity in Tamil Nadu to improve its sales volume in the domestic instant coffee segment in recent fiscals.

**Intense competition limits pricing flexibility** – SNCPL remains exposed to intense competition, especially from pan-India brands. Although its long legacy has allowed the company to avail a price premium in the R&G segment, increasing volumes in the instant coffee segment expose it to price competition. The competition and pricing constraints are expected to continue amid the increasing awareness and rising coffee consumption in the domestic market.

**Exposure to volatility in raw material prices** – The seasonal nature of the crop and fluctuations in the output of the company's key raw materials, i.e. Arabica and Robusta, have kept the prices of coffee beans volatile over the years. This has impacted the margins, as can be seen in the last and the current fiscal, when the margins are estimated to have moderated to ~6.5% from ~8% in FY2024. Intense competition from regional brands and large multinational corporations (MNCs) limits the pricing flexibility even after absorbing the volume moderation to an extent and exposes SNCPL's earnings to the variations in raw material prices. Besides, the company's earnings are vulnerable to the fluctuations in foreign exchange to the extent of its unhedged exposure that arises from raw material imports and instant coffee exports.

### Liquidity position: Adequate

SNCPL's liquidity level is expected to remain adequate. The cash flow from operations is likely to recover to ~Rs. 18 crore in FY2026 against negative Rs. 30 crore in FY2025. The repayment of the long-term loan in the current fiscal has reduced the debt repayment obligations to nil. There is no large capital expenditure (capex) outflow over the near-to-medium term.

## Rating sensitivities

**Positive factors** – ICRA may upgrade the company’s ratings if it is able to significantly scale up its operations and profitability, while sustaining comfortable credit metrics.

**Negative factors** – Pressure on the ratings could arise if there is any sustained pressure on the earnings or any large debt-funded capex, which would adversely impact the debt protection metrics and liquidity. A specific credit metric for downgrade would be interest cover of less than 5.5 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 profile of the company.

## About the company

SNCPL, managed by Mr. Sivanantham and his family at present, was incorporated in 2009 as a private limited company, before which it was operating as a partnership firm. The promoter group has had an extensive presence in the coffee business since 1926.

The company processes and markets coffee under two major segments, R&G coffee and instant coffee. Under its R&G segment, it derives revenues from the domestic market, primarily Tamil Nadu. The revenues in the instant coffee segment are diversified across the domestic and export markets. Apart from coffee, it markets tea and other non-coffee products such as vermicelli, atta, sooji and jaggery powder. Its manufacturing facility is at Salem, Tamil Nadu.

## Key financial indicators (audited)

SNCPL (consolidated)	FY2024	FY2025	9MFY2026*
Operating income (OI)	422.4	534.4	481.6
PAT	16.7	16.7	14.3
OPBDIT/OI	8.8%	6.7%	6.0%
PAT/OI	4.0%	3.1%	3.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	-
Total debt/OPBDIT (times)	0.9	1.2	-
Interest coverage (times)	8.4	7.6	-

Source: Company, 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 (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Mar 26, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Cash credit – Fund-based</b>	Long term	34.90	[ICRA]A (Stable)	-	-	Mar-20-25	[ICRA]A- (Stable)	Mar-11-24	[ICRA]A- (Stable)	Mar-27-23	[ICRA]A- (Stable)
<b>Unallocated</b>	Long term	2.50	[ICRA]A (Stable)	-	-	Mar-20-25	[ICRA]A- (Stable)	Mar-11-24	[ICRA]A- (Stable)	-	-
<b>Export packing credit - Interchangeable</b>	Short term	(19.90)	[ICRA]A1	-	-	Mar-20-25	[ICRA]A2+	Mar-11-24	[ICRA]A2+	Mar-27-23	[ICRA]A2+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
<b>Fund based – Working capital facility</b>	Simple
<b>Short term - Interchangeable</b>	Simple
<b>Long term- Unallocated</b>	NA

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	<b>Working capital facility</b>	NA	NA	NA	34.90	[ICRA]A (Stable)
NA	<b>Interchangeable</b>	NA	NA	NA	(19.90)	[ICRA]A1
NA	<b>Unallocated</b>	NA	NA	NA	2.50	[ICRA]A (Stable)

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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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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