May 07, 2026

Kapoor Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term non-fund based	0.25	0.25	[ICRA]AA-(Stable); reaffirmed
Short-term fund-based	320.00	320.00	[ICRA]A1+; reaffirmed
Short-term non-fund based	2.00	2.00	[ICRA]A1+; reaffirmed
Total	**322.25**	**322.25**	

**Instrument details are provided in Annexure II*

Rationale

The reaffirmed ratings of Kapoor Industries Limited (KIL) factor in the expectation that the company's credit profile will remain healthy, aided by its continuing position as a leading supplier of premium terry towels to renowned US retailers and its robust profitability metrics. ICRA had earlier revised its outlook on the long-term rating from Positive to Stable in October 2025, factoring in the imposition of punitive 25% duty on select Indian goods by the US Government from August 2025. The imposition of tariffs impacted overall realisations and operating margins for the company (US accounts of around 90% of revenues) in H2FY2026. KIL had to offer discounts to its customers to an extent to offset the impact of the tariff hike. However, following the downward revision in tariffs from February 24, 2026, a more level playing field has emerged for Indian exporters, including KIL, vis-à-vis competing countries. The same is expected to aid KIL's operating performance going forward and help it maintain robust credit metrics.

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 through product re-engineering, with the remaining limited impact absorbed by customers. Thereafter, when the tariff was increased to 25% in early August 2025, the increase was passed on to retailers, who in turn hiked retail prices across product categories. As per KIL, the tariff impact of up to 25% (excluding the additional punitive tariff of 25%) was inbuilt into the pricing arrangement with various customers, with no impact on its offtake or margins. The punitive tariff of 25% was more challenging, and KIL negotiated with its buyers and passed on some discounts to them, which impacted margins to an extent in H2 FY2026. Operating margins are expected to improve to an extent in the current fiscal to earlier levels, aided by the reduction in tariffs; however, these would remain sensitive to the applicable tariffs on the company's products and associated demand in the geographies catered to.

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 healthy pace to Rs. 1,261 crore in FY2026 (provisional financials). 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 healthy core Return on Capital Employed (RoCE). Over the past five years, KIL reported aggregate cash flows from operations of Rs. 730 crore, around 60% of which was reinvested as capex. As on March 31, 2026, 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. 430 crore as on March 31, 2026.

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 primarily focused 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. 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, consumer demand changes in unanticipated ways, or competition intensifies over time. These risks constrain the company's long-term rating. Another concern is the high, although reducing, dependence of earnings on export incentives. In FY2026, export incentives accounted for 53% of the company's OPBITDA. The risk of withdrawal or decline in export incentives by the Government of India for 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 movements.

The Stable outlook on the long-term rating reflects ICRA's expectation of sustained growth for the company, led by its operational strengths. ICRA expects KIL to maintain healthy debt coverage metrics, along with a strong liquidity profile, supported by surplus cash flow generation capacity of the business and no major debt-funded capital expenditure plans.

Key rating drivers and their description

Credit strengths

Established position in premium terry towel export industry – KIL is an established manufacturer and exporter of terry towels, featuring among India's top exporters to the US in this category. Besides regular bath towels, KIL is also a niche player in fashion and kitchen towels, involving higher value addition through embroidery and the 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 have grown at a healthy pace over the years. KIL reported an operating income of Rs. 1,261 crore in FY2026 (as per provisional financials) against Rs. 1,004 crore in FY2024, and an operating margin of 18.1% in FY2026.

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 healthy profitability over the years, as reflected in strong operating margins. KIL has been undertaking calibrated capex over the years for capacity expansion and to improve operational efficiencies. Moreover, KIL's healthy profits and cash accruals, together with limited debt repayments, continue to support strong debt coverage indicators (DSCR of about 4.7 times in FY2026). 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, 2026, and Debt/OPBDITA at 1.1 times for FY2026). The debt coverage indicators are likely to remain healthy going forward as well.

Credit challenges

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 vulnerability to demand trends in the key US market. In this regard, regulatory impacts such as the imposition of tariffs by the US on KIL's business prospects remain a key monitorable. Besides, the company's customer concentration risk is high, with its top five customers accounting for close to 70% of its sales.

Profitability vulnerable to volatilities 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 65-70% 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) till September 30, 2026, which has provided the much-needed clarity, supporting the exporters' ability to effectively price their products.

Liquidity position: Strong

KIL's liquidity position remains strong, characterised by cash and liquid investments of more than Rs. 400 crore as on March 31,2026. 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. 60-70 crore in FY2027); it has minimal repayment obligations of Rs. 0.8 crore in FY2027.

Rating sensitivities

Positive factors – ICRA could upgrade KIL's long-term rating if the company demonstrates sustained improvement in its business profile, underpinned by higher geographic diversification in exports and a broader customer base, while continuing to scale up operations profitably over the medium term. The upgrade would also hinge on KIL's ability to maintain healthy return indicators and strong debt coverage metrics.

Negative factors – Pressure on KIL's ratings could arise if there is a meaningful pressure on the company's earnings 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 or sizeable capex, resulting in increased dependence on external debt could also exert pressure. Specific metrics, which could trigger ratings downgrade include total debt/OPBITDA of above 1.5 times on a sustained basis, alongside a material depletion of cash and cash equivalents.

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 financial risk profile of KIL.

About the company

Incorporated in 2012 by the Kapoor family and headed by Mr. P.K. Kapoor, Mr. Ashish Kapoor, and Mr. Mohit Kapoor, KIL designs, manufactures, and markets textile made-ups such as 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 21,000 tonnes per annum as of March 31, 2026.

Key financial indicators (audited)

Standalone	FY2025	FY2026*
Operating income	1,277.2	1,261.5
PAT	187.5	139.0
OPBDIT/OI	22.9%	18.1%
PAT/OI	14.7%	11.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	0.8	1.1
Interest coverage (times)	13.5	10.5

*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

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs crore)	07-May-2026	Date	Rating	Date	Rating	Date	Rating
Non-fund based-Others	Long Term	0.25	[ICRA]AA- (Stable)	Apr 29, 2025	[ICRA]AA- (Positive)	Apr 29, 2024	[ICRA]AA- (Stable)	-	-
				Sep 23, 2025	[ICRA]AA- (Stable)	-	-	-	-
Fund-based-Cash credit	Short Term	320.00	[ICRA]A1+	Apr 29, 2025	[ICRA]A1+	Apr 29, 2024	[ICRA]A1+	-	-
				Sep 23, 2025	[ICRA]A1+	-	-	-	-
Non-fund based-Others	Short Term	2.00	[ICRA]A1+	Apr 29, 2025	[ICRA]A1+	Apr 29, 2024	[ICRA]A1+	-	-
				Sep 23, 2025	[ICRA]A1+	-	-	-	-
Fund-based-Term loan	Long Term	-	-	Apr 29, 2025	[ICRA]AA- (Positive)	Apr 29, 2024	[ICRA]AA- (Stable)	-	-
				Sep 23, 2025	[ICRA]AA- (Stable)	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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	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 II: 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 III: List of entities considered for consolidated analysis – Not applicable

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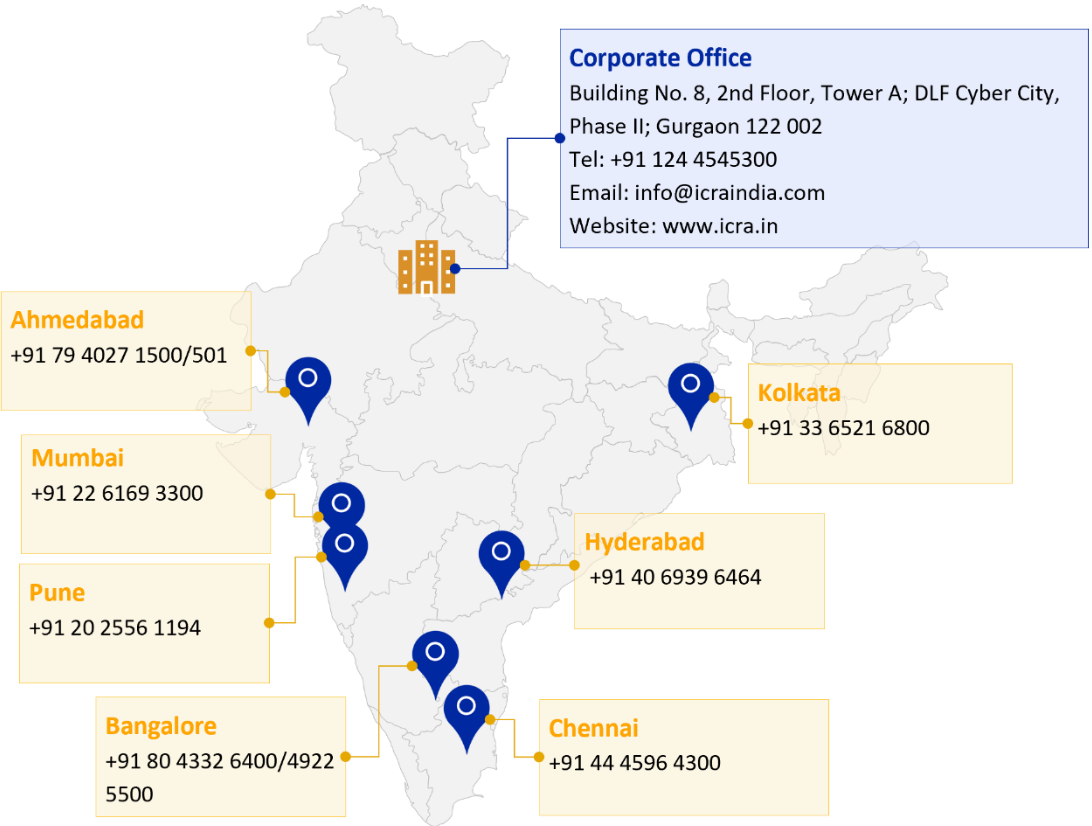

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