

October 06,2026

Dharmesh Textiles Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action	Financial Sector Regulator#
Long-term – Fund-based – Cash credit	5.00	5.00	[ICRA]A-(Stable); reaffirmed	RBI
Long-term – Fund-based – Term loan	4.50	4.50	[ICRA]A-(Stable); reaffirmed	RBI
Short-term – Non-fund based	0.50	0.50	[ICRA]A2+; reaffirmed	RBI
Total	10.00	10.00		

*Instrument details are provided in Annexure I

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.

Rationale

The ratings reaffirmation continues to factor in the steady operational performance of Dharmesh Textiles Limited (DTL), aided by the vast experience of the promoters, established track record of the company in the non-woven carpet manufacturing business, healthy relationships with customers and backward-integrated operations (in the form of polyester staple fibre manufacturing). The entity reported around 10% growth in revenues in FY2026, which coupled with a stable margin of around 8%, led to healthy cash accruals. 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 healthy cash flow from operations and low utilisation of working capital limits. DTL is expected to generate steady cash from operations in FY2027, which would help it maintain adequate liquidity and debt coverage metrics.

The ratings remain constrained by DTL's modest scale of operations, 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. Nonetheless, new product additions in last few years and recent increase in capacity of the existing products would support the company in diversifying its operations and increasing its revenue base. The company has recently completed large capital expenditure (capex) of around Rs. 80 crore (spent during past 2-3 fiscals) towards planned capacity expansion and was funded by a mix of debt and internal accruals. The company's working capital intensity remains on the higher side as DTL maintains adequate inventory in the form of raw materials and finished goods for a 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 a 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 and has strong relationships with its customers and suppliers, which have supported its business growth over the years.

Comfortable capital structure and healthy debt protection metrics – The company's financial profile is healthy and its reliance on external debt has remained limited. Given its strong operational cash flow, the company primarily funds its working capital needs from its internal accruals and available cash and liquid balances. DTL's capital structure remained comfortable with healthy accruals and debt coverage indicators as on March 31, 2026 (provisional). The company's interest coverage ratio and DSCR stood at 27.3 times and 7.8 times, respectively, as on March 31, 2026 (provisional). With a conservative debt profile, the company's debt protection metrics are likely to remain healthy in the near term. The debt coverage metrics are expected to remain at comfortable levels in the near to medium term.

Benefits derived from backward-integrated operations – The benefits of backward integration across PSF manufacturing ensure easy availability of raw materials, better quality control, absence of transportation costs and other operational efficiencies. This enables the company to bring down its operational costs and support margins.

Credit challenges

Moderate profit margins – The operating profit margin of the company has remained at moderate levels of 8-9% in the last three years compared to the average operating profit of 11.0-12.0% in the past. Apart from competition and low entry barriers, low-value addition in producing non-woven carpets limits the company's profit margins to an extent. Its ability to enhance its scale of operations will be critical to improve its margins.

Moderately high working capital intensity – The company is required to maintain adequate inventory in the form of raw materials and finished goods for a 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 moderately high at 24.2% as on March 31, 2026. 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 North 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, thereby putting pressure on its margins.

Liquidity position: Adequate

DTL's liquidity position remains Adequate, supported by steady operational cash flows of around Rs 10 crore in FY2026, free cash and liquid investments of around Rs. 5 crore as of March 2026 and sufficient cushion of Rs. 15 crore as on July 31, 2026 in the form of undrawn bank lines. Further, the debt repayment liability (Rs 3.8 crore in FY2027) against new capex is expected to be met comfortably with cash flows, going forward.

Rating sensitivities

Positive factors – The ratings may be upgraded, if DTL reports a sustained growth in revenues and operating profitability from its PSF, non-woven carpets and artificial grass carpet segments, coupled with an improvement in liquidity and financial risk profile, as reflected in stronger coverage metrics and debt protection indicators.

Negative factors – Pressure on DTL’s ratings could arise, if there is a material 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 materially, could also be a trigger for a downgrade. A specific credit metric for a downgrade is if total debt/OPBDITA increases 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 510 lakh square metre of non-woven carpets and 36,000 metric tonnes of recycled polyester staple fibre. 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 and 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	FY2025	FY2026*
Operating income	371.8	408.7
PAT	18.7	16.3
OPBDIT/OI	8.6%	8.0%
PAT/OI	5.0%	4.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	0.6	0.5
Interest coverage (times)	32.9	27.3

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)	06-Oct-26	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based -Cash credit	Long-term	5.00	[ICRA]A-(Stable)	Aug 19,2025	[ICRA]A-(Stable)	Sep 17, 2024	[ICRA]A-(Stable)	Jul 17, 2023	[ICRA]A-(Stable)
						-	-	Jan 31, 2024	[ICRA]A-(Stable)
Fund based - Term loan	Long-term	4.50	[ICRA]A-(Stable)	Aug 19,2025	[ICRA]A-(Stable)	Sep 17, 2024	[ICRA]A-(Stable)	Jul 17, 2023	[ICRA]A-(Stable)
						-	-	Jan 31, 2024	[ICRA]A-(Stable)
Non Fund Based- Others	Short Term	0.50	[ICRA]A2+	Aug 19,2025	[ICRA]A2+	Sep 17, 2024	[ICRA]A2+	Jul 17, 2023	[ICRA]A2+
						-	-	Jan 31, 2024	[ICRA]A2+
Unallocated- Unallocated	Long Term					-	-	Jul 17, 2023	[ICRA]A-(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	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	Financial Sector Regulator#
NA	Long Term – Fund Based – Cash Credit	NA	NA	NA	5.00	[ICRA]A-(Stable)	RBI
NA	Long Term – Fund Based – Term Loan	FY2025	NA	FY2029	4.50	[ICRA]A-(Stable)	RBI
NA	Short Term – Non-fund based	NA	NA	NA	0.50	[ICRA]A2+	RBI

Source: Company# 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.

[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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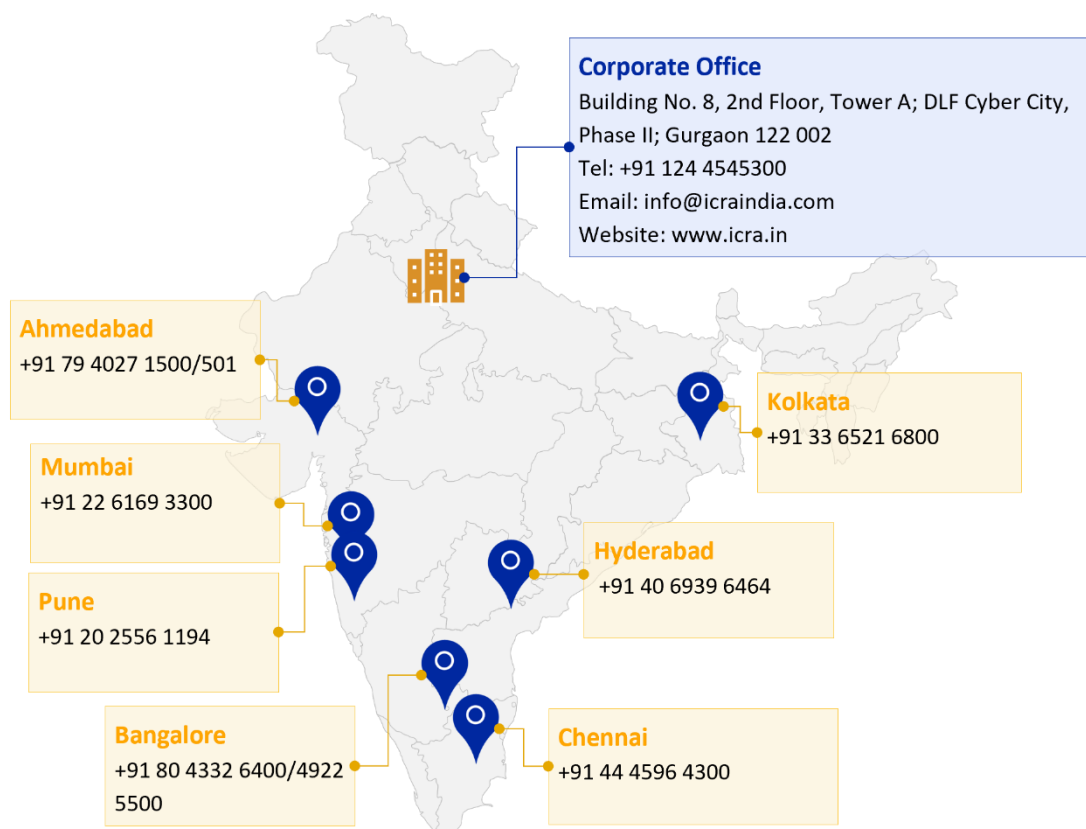
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