November 18, 2026

Sharadha Terry Products Private 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/Short-term-Fund-based/Non-fund based-Others	55.00	55.00	[ICRA]A+(Stable) / [ICRA]A1+; reaffirmed	RBI
Short-term-Non-fund based-Others	00.00	6.00	[ICRA]A1+; reaffirmed	RBI
Long-term/Short-term-Unallocated limits	30.00	24.00	[ICRA]A+(Stable) / [ICRA]A1+; reaffirmed	RBI
Total	**85.00**	**85.00**		

**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 takes into consideration the strong financial risk profile of Sharadha Terry Products Private Limited (STPPL), which is engaged in the business of terry towels, yarn, rugs, floor coverings and other related products, as reflected in its conservative capital structure, strong debt protection metrics and strong liquidity position. In line with the trend seen in previous years, the company continued to have a negative net debt position (total debt less cash/bank and liquid investments) as on March 31, 2026, which is expected to sustain, going forward. The overall performance of STPPL, on a consolidated basis, witnessed a continued improvement in FY2026 with its operating income increasing by around 11% on a YoY basis. However, its operating profit margin (OPM) moderated to 8.6% in FY2026 from 11.6% in FY2025 primarily due to increased competition, unfavourable raw material prices and tariff-related headwinds. ICRA expects STPPL's revenues to increase gradually, supported by the ramp-up of the rugs division and potential export opportunities arising from India's trade agreements with the UK and the EU. The company's profitability is expected to remain broadly stable. The management's ongoing initiatives to diversify its customer base and expand its geographical presence are expected to reduce dependence on the US market and support the company's business profile, 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 domestic and international suppliers, along with high product concentration, with a major portion of STPPL's revenue derived from export of terry towels to the US, exposing its operations to demand risks amid evolving macroeconomic conditions. The ratings also factor in the vulnerability of STPPL's revenue and profitability to fluctuations in cotton prices and foreign exchange rates. However, the foreign exchange risk is partly mitigated by the company's policy of hedging 50-60% of its net foreign currency exposure through forward contract. The ratings are further constrained by the company's moderate scale of operations and the working capital-intensive nature of its business, owing to high inventory holding.

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 more than 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 predominantly derived from terry towels, supported by around 160 looms, the company has substantial backward integration into yarn spinning, a key raw material for towel manufacturing, with an installed capacity of more than 70,000 spindles. Its sizeable manufacturing capacity and high degree of backward integration provide operational flexibility, enabling it to capture a larger portion of the textile value chain and facilitate better control over raw material quality.

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. The management's ongoing initiatives to diversify its customer base and expand its geographical presence are expected to reduce dependence on the US market and support the company's business profile, going forward. 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 strong debt coverage metrics. 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 around Rs. 438 crore as on March 31, 2026. The company continued to have a negative net debt position (total debt less cash/bank and liquid investments) as on March 31, 2026, which is expected to sustain, going forward. ICRA expects a gradual improvement in STPPL's revenue, supported by the scaling up of the rugs division, while the trade agreements with the UK and the EU are expected to provide additional export opportunities. Profitability is expected to remain broadly stable.

Credit challenges

Moderate scale of current operations – STPPL's scale of operations has remained moderate over the years, despite its sizeable production capacity. ICRA understands that this is partly attributable to the company's focus on high value-added products. The production facilities can manufacture cotton/polyester/polyester-cotton mix rugs. Nevertheless, the company's ability to scale up operations on a sustained basis, while improving product and geographical diversification of its revenues, 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 its 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, which 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 revenues 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 50-60% of its net foreign currency exposure, which partly reduces the risks. STPPL's margins are also exposed to risks from changes in the export incentives offered by the Government.

High working capital intensity owing to high inventory holding – STPPL's operations remain working capital intensive, primarily due to high inventory requirements, exposing its profitability to volatility in raw material prices, particularly cotton and cotton yarn. Besides raw material stocking, the company is required to maintain sizeable finished goods inventories for consignment-based dispatches against export orders. Consequently, the working capital intensity remained high, as reflected by NWC/OI of 64% in FY2026.

Liquidity position: Strong

The company's consolidated cash flow from operations improved notably and turned positive in FY2026, primarily driven by moderation in working capital requirements, with working capital intensity reducing to around 64% from 67% in FY2025. In view of the likely increase in the scale of operations, the overall working capital requirement is expected to rise and is likely to lead to a moderation in cash flow from operations in FY2027 vis-à-vis FY2026. STPPL, on a consolidated basis, had a surplus cash/bank balance and current investment of around Rs. 438 crore as on March 31, 2026. The average working capital utilisation of the company stood at a low level of around 19% during the past 18 months, ended in September 2026, leaving adequate buffer. The company has limited long-term debt repayment obligations of around Rs. 5 crore each in FY2027 and FY2028. 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/OPBIDTA 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 along with its wholly-owned subsidiaries.

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 Micro Cotton® to reputed customers in the international market.

Key financial indicators (audited)

STPPL	Standalone			Consolidated		
	FY2024	FY2025	FY2026	FY2024	FY2025	FY2026
Operating income	360.0	389.8	430.6	359.5	389.7	432.6
PAT	57.2	63.9	35.4	57.1	63.4	35.5
OPBDIT/OI	10.1%	12.1%	8.6%	9.7%	11.6%	8.6%
PAT/OI	15.9%	16.4%	8.2%	15.9%	16.3%	8.2%
Total outside liabilities/Tangible net worth (times)	0.0	0.1	0.1	0.0	0.1	0.1
Total debt/OPBDIT (times)	0.9	0.6	1.4	0.9	0.6	1.4
Interest coverage (times)	12.5	23.6	11.1	12.0	22.6	11.1

Source: Company, ICRA Research; 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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Nov 18, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based/ Non-fund based - Others	Long-term/ Short-term	55.00	[ICRA]A+(Stable) / [ICRA]A1+	Aug 29,2025	[ICRA]A+ (Stable)/ [ICRA]A1+	May 24, 2024	[ICRA]A+ (Stable)/ [ICRA]A1+	May 25, 2023	[ICRA]A+ (Stable)/ [ICRA]A1+
Non-fund Based-Others	Short-term	6.00	[ICRA]A1 +	-	-	-	-	-	-
Unallocated Limits	Long-term/ Short-term	24.00	[ICRA]A+(Stable) / [ICRA]A1+	Aug 29,2025	[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	Simple
Short-term-Non-fund based	Simple
Long-term/Short-term-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	Financial sector regulator#
NA	**Fund-based/Non-fund based working capital facilities**	-	-	-	55.00	[ICRA]A+ (Stable)/ [ICRA]A1+	RBI
NA	**Non-fund-based – Derivative/Forward Contract**	-	-	-	6.00	[ICRA]A1+	RBI
NA	**Unallocated limits**	-	-	-	24.00	[ICRA]A+ (Stable)/ [ICRA]A1+	RBI

Source: Company

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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.	100.00%	Full Consolidation
Heramba Holdings Private Limited	100.00%	Full Consolidation
Sri Kumaraguru Holdings Private Limited	100.00%	Full Consolidation
Sri Muka Holdings Private Limited	100.00%	Full Consolidation
Shanmugha Vadivel Holdings Private Limited	100.00%	Full Consolidation
Vadivelan Holdings Private Limited	100.00%	Full Consolidation
Microcotton India LLP	100.00%	Full Consolidation
Home Concepts LLP (formerly Seyon Wind Energy LLP)	100.00%	Full Consolidation

Source: Annual Report; Sharadha Terry Products Private Limited

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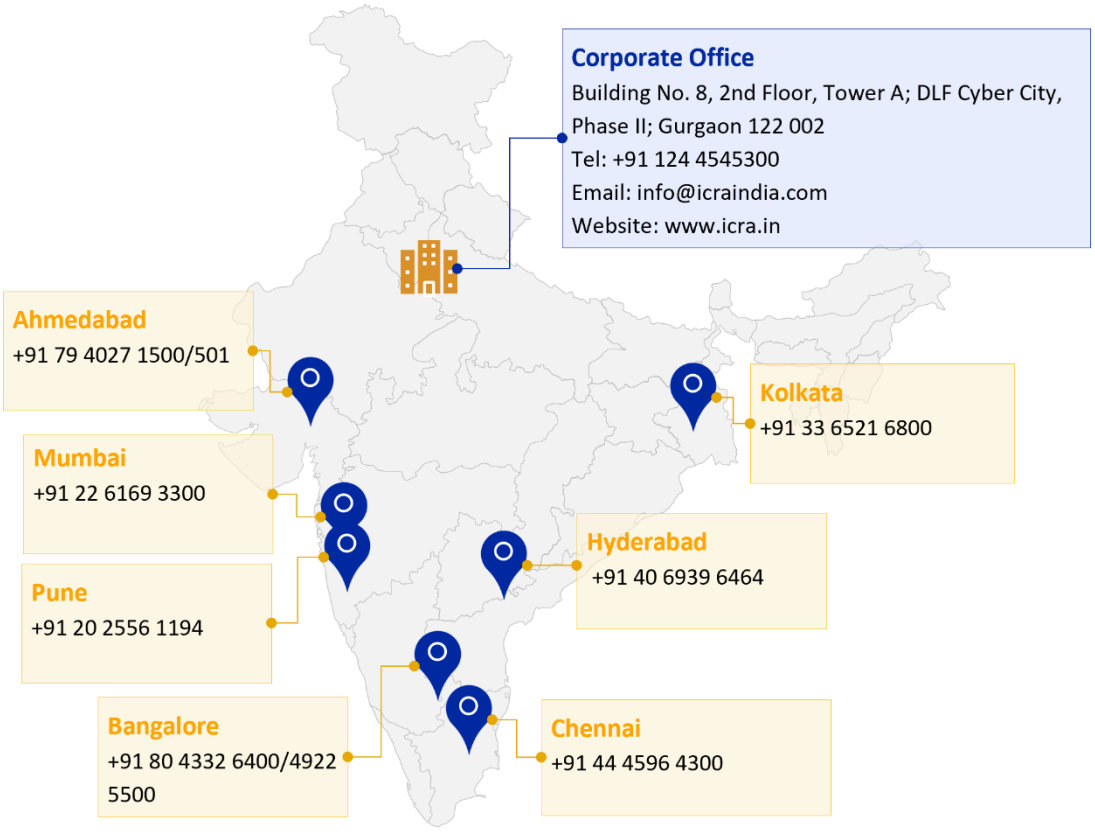
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