



Press Release

Raja Industries

December 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	50.00	IVR BBB / Stable (IVR Triple B with Stable Outlook)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Total	50.00 (Rupees Fifty Crores Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has combined the business and financial risk profiles of Raja Industries, Raja Spintex LLP, Raja Texspin LLP and D. Raja Cotton Private Limited together referred to as Raja Cotton Group, as they are in the same line of business, are under the same management and have operational linkages.

Infomerics Ratings has reaffirmed its ratings assigned to the bank facilities of Raja Industries. The rating reaffirmation factors in moderate capital structure of the firm in FY24 (period refers to April 1st 2023 to March 31st 2024). The ratings continue to factors in extensive experience of the promoters and synergies from supply chain through forward integration. The ratings are, however, constrained by highly fragmented industry with intense competition from large number of players and susceptibility of profitability to volatility in raw material prices, risks related to constitution of three Raja Cotton Group entities as partnership and LLP concern and thin profitability of the group in FY24.

Stable outlook reflects Infomerics' belief that the firm continues to benefit from the experienced promoter and established relationship with its customers.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm
- Non-maintenance of level of unsecured loans considered as quasi-equity resulting in significant deterioration in capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and established track record of operations**

Raja Cotton Group has an established operational track record in the cotton ginning and spinning industry. The Group was incorporated in the year 1994 by Mr. Dilip Patel and Mr. Rasik Patel, who have around four decades of experience into the same line of business. Mr Dilip Patel is also the president of All Gujarat Cotton Ginners Association and has established healthy relationship with industry players over the years ever since, the group has expanded their operations by way of forward integration from cotton ginning to spinning. The Group benefits from the extensive experience of promoters, their strong understanding of local market dynamics, healthy relations with customers and suppliers and the group's integrated operations in the cotton ginning and spinning.

- **Availability of synergies from supply chain through forward integration**

The group derives benefits from large and integrated scale of operations. The installed plants of the Group are forward integrated with in-house spinning capability which caters to significant captive demand of raw material through ginning. Also, the group



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has been operating under the same management and allocations of the outstanding orders are done considering the relevancy of workflow in spinning entities.

- **Moderate capital structure of the group in FY24**

Group's capital structure remained comfortable in FY24. Group has infused fresh unsecured loan in the form of quasi equity worth Rs.38.69 crore in FY24. Total subordinate unsecured loans stood at Rs.93.49 crore as on March 31st 2024. Overall gearing ratio (Adj.) stood at 0.66x as on March 31st 2024 compared to 0.72x as on March 31st 2023. Group's total indebtedness reflected by TOL/TNW (Adj) stood at 0.77x as on March 31st 2024 compared to 0.88x as on March 31st 2023

Key Rating Weaknesses

- **Highly fragmented industry with intense competition from large number of players and susceptibility of profitability to volatility in raw material prices**

The cotton ginning and spinning industry is highly fragmented in nature with several organized and unorganized players. Prices of raw cotton are highly volatile in nature and depend upon the factors like area under cultivation, crop yield, international demand-supply scenario, export quota decided by the government and inventory carry forward of the previous year. Hence, the profitability margins of the company are susceptible to fluctuation in raw material prices.

- **Thin profitability of the group at consolidated level in FY24.**

Group's EBITDA improved from Rs.59.84 crore in FY23 to Rs.61.54 crore in FY24. Group's EBITDA margin stood at 6.35% in FY24 compared to 8.49% in FY23. Group's EBITDA reduced by 214 bps in FY24 mainly due to low margin sales contributed by Raja Industries (firm is into ginning activity). Group reported PBT and PAT of Rs.7.76 crore and Rs.5.08 crore in FY24 compared to Rs.12.28 crore and Rs.6.55 crore in FY23. PBT and PAT margin stood at 0.79% and 0.52% in FY24 compared to 1.72% and 0.92% in FY23.

- **Risks related to partnership nature of constitution**

The constitution of Raja Industries as a partnership concern and that of Raja Spintex LLP and Raja Texspin LLP as 'Limited Liability Partnership' exposes the group to the inherent risk of significant withdrawals by the partners, which can have an adverse impact on the capital structure.



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Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Raja Industries, Raja Spintex LLP, Raja Texspin LLP and D. Raja Cotton Private Limited together referred to as Raja Cotton Group, as they are in the same lines of business, are under the same management and have operational linkages.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Criteria on consolidation of companies](#)

Liquidity – Adequate

The liquidity position of the group is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25- FY27. Further, the current ratio stood comfortable at 2.42 times as on March 31, 2024. Average fund based working capital (consolidated) limit utilization of the group in the past 12 months ended in September 2024 remained minimal at 6.41% indicating an adequate liquidity buffer.

About the Group

Raja Cotton Group was founded in the year 1994 and has established track record of ginning and spinning in Kadi, Gujarat. The group has strong presence in cotton value chain from cotton ginning to oil extraction to yarn spinning with combined capacity of 108480 spindles and 1400 Bales of cotton per day. The Group was founded by Mr. Dilipbhai P Patel and Mr. Rasik Patel, who have around four decades of experience in the cotton industry. Raja Cotton Group consist of four entities i.e. Raja Industries which gins cotton and extracts oil from cotton seeds, Raja Spintex LLP and Raja Spintex LLP are into spinning of yarn and D. Raja Cotton Private Limited gins cotton and spins yarn

About the Firm



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Raja Industries was constituted as a Partnership firm in the year 1994 by Mr. Dilipbhai P Patel and family for carrying out an activity of cotton ginning and pressing at Kadi, Gujarat. Mr. Dilipbhai P Patel, Mr. Rasikbhai G Patel, Mr. Gauravbhai D Patel and four others are the partners of the firm

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	659.38	583.11
EBITDA	3.28	5.56
PAT	0.68	0.70
Total Debt	14.55	28.28
Adjusted Tangible Net Worth	40.51	61.03
EBITDA Margin (%)	0.50	0.95
PAT Margin (%)	0.10	0.12
Overall Gearing Ratio (x) (Adj.)	0.36	0.46
Interest Coverage (x)	0.46	0.75

* Classification as per Infomerics' standards.

Financials (Consolidated):

For the year ended/ As on*		
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	704.67	968.85
EBITDA	59.84	61.54
PAT	6.55	5.08
Total Debt	149.11	173.06
Adjusted Tangible Net Worth	206.48	263.27
EBITDA Margin (%)	8.49	6.35
PAT Margin (%)	0.92	0.52
Overall Gearing Ratio (x) (Adj.)	0.72	0.66
Interest Coverage (x)	2.06	1.77

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork Ratings in its press release dated November 8, 2024 has continued the rating of Raja Industries to "Issuer Not Cooperating" category due to unavailability of adequate information

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (November 10, 2023)	Date (August 25, 2022)	Date (May 27, 2021)
1.	Long Term Fund Based Facilities – Cash Credit	Long Term	50.00	IVR BBB / Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/RWDI

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	50.00	IVR BBB / Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Raja-Industries-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Group Companies	Extent of Consolidation
Raja Industries	100%
Raja Texspin LLP	100%
Raja Spintex LLP	100%
D.Raja Cotton Private Limited	100%

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.