



Press Release

Rameswar Udyog Private Limited (RUPL)

December 06, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|------------------------------|--|---|---|---|---|
| Long Term Facilities | 8.70 (Reduced from Rs.17.64 crore) | IVR BBB- / Negative (IVR Triple B Minus with Negative Outlook) | IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook) | Rating Reaffirmed and outlook revised from Stable to Negative | Simple |
| Short Term Facilities | 95.00 | IVR A3 (IVR A Three) | IVR A3 (IVR A Three) | Reaffirmed | Simple |
| Total | 103.70 (Rupees One Hundred Three Crore and Seventy Lakh 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 Ratings has changed its outlook with reaffirmation of its ratings assigned to the long-term facilities to IVR BBB- with Negative outlook and short-term facilities to IVR A3 of Rameswar Udyog Private Limited (RUPL).

The rating reaffirmation takes into consideration the achievement of FY24 (refers to period April 01, 2023 to March 31, 2024) audited figures in comparison to the FY24 provisional figures. The rating continues to derive strength from vast experience of its promoters in textile industry, the established relationship with its customers and geographically diversified operations which has enabled the company to achieve growth in past fiscals. The rating remains constrained by intense competition in the industry exposure and susceptibility of its profitability to fluctuation in raw material prices.

Infomerics ratings has revised the outlook from stable to negative considering the uncertainty with respect to RUPL's business exposure with Bangladesh based companies and subdued financial performance in 6MFY25 in comparison with corresponding period of previous financial year.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with improved EBITDA margins.
- Improvement in debt protection metrics with interest coverage ratio more than 2.0x.
- Improvement in capital structure with overall gearing ratio of less than 1.0x on a sustained basis.

Downward Factors

- Any substantial decline in scale of operations and/or decline in profitability.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and established track record of operations**
Incorporated in 1996, RUPL is promoted by Mr. Harsh Ajitsaria and Mr. Abhay Ajitsaria. Both the promoters have more than two decades of experience in the industry, which has enabled strong relationships with various industry players, including suppliers and customers.
- **Geographically diversified operations**
Exports constituted ~69% of the company's revenue in FY24 (A) as compared to ~56% in FY23. RUPL exports to many countries (including USA, Bangladesh, Turkey, Egypt, UAE, Czech Republic, Italy, Chile and Mauritius). Also, the Company's export sales are either backed by letter of credit or have an advance payment mechanism, hence, the receivables risk faced by the company is minimal.



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- **Moderate debt protection metrics and financial risk profile**

The long-term debt to equity and overall gearing ratio improved & stood comfortable at 0.48x and 1.34x respectively as on March 31, 2024 (A) from 0.60x and 1.39x respectively as on March 31, 2023. ISCR has declined to 0.99x in FY24 from 1.34x in FY23 due to increased interest expenses during the year. DSCR stood around unity with 0.84x during FY24. The current ratio is comfortable at 1.53x as on March 31, 2024. The company has cash and cash equivalent of Rs.3.03 crore as on March 31, 2024. The operating cycle has improved and stood at 74 days as on March 31, 2024 due to improved average collection period and inventory period.

Key Rating Weaknesses

- **Declined profitability margins Y-O-Y basis**

EBITDA margin has declined to 1.48% in FY24 from 2.20% in FY23 on account of higher international freight charges coupled with a decline in cotton prices. PAT Margin has also declined to 0.78% in FY24 from 1.05% in FY23. However, the profitability margins are expected to improve in the projected period. EBITDA margin is expected to be in the range of 4.52% to 4.62%. The company has reported a 3.91% EBITDA margin in H1FY25 supported by increased export sales and stabilization of cotton prices.

- **Intense competition in the industry**

The spinning and trading industry is highly fragmented and competitive with the presence of a large number of organized and unorganized players. Intense competition in the industry and commoditized nature of the product limit RUPL's pricing flexibility and bargaining power.

- **Susceptibility of its profitability to fluctuation in raw material prices**

The company's profit margins are exposed to the fluctuation in raw material prices, which depend on factors such as seasonality, monsoon conditions, international demand and supply situation, export policy etc.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading 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](#)

Liquidity – Adequate

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to increase during FY25-FY27. Moreover, the company does not have any major capital expenditure plan in the near to medium term. This is expected to support the company's liquidity position. Further, company has reported adequate current ratio at 1.53x as on March 31, 2024 to meet its near-term cash requirements. RUPL's average working capital utilization (PC/PCFC and LCBD) for twelve months ended June 2024 stands at ~43%. RUPL has cash and bank balance of Rs. 3.03 crore as on March 31, 2024.

About the Company

Incorporated in November 1996, Rameswar Udyog Pvt Ltd. (RUPL) is promoted by Mr. Harsh Ajitsaria and his family members. Based in Ahmedabad, the company primarily manufactures and trades cotton yarn. In addition, it also manufactures industrial garments and trades fabrics, dyes, cotton and cotton waste. Its manufacturing facilities located at Ahmedabad had a total installed capacity of 5,500 MT as on March 31, 2024. It also had industrial garment manufacturing capacity of 6 lakhs pieces as on March 31, 2024.

Initially, the company's prime line of business was manufacturing industrial garments and trading in yarns. It gradually expanded its business and established a spinning division in FY17 after which it started its own yarn production.



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Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|-----------------------------|-------------|------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 292.45 | 486.61 |
| EBITDA | 6.42 | 7.22 |
| PAT | 3.13 | 3.88 |
| Total Debt | 96.63 | 98.48 |
| Adjusted Tangible Net Worth | 69.70 | 73.58 |
| EBITDA Margin (%) | 2.20 | 1.48 |
| PAT Margin (%) | 1.05 | 0.78 |
| Overall Gearing Ratio (x) | 1.39 | 1.34 |
| Interest Coverage (x) | 1.34 | 0.99 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

ICRA Ratings has continued the ratings in non-cooperation category vide press release dated October 22, 2024 on account of non-availability of information required for the rating.

Any other information: Nil

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 (August 05, 2024) | Date (November 01, 2023) | Date (July 04, 2023) | Date (April 06, 2022) | Date (Month XX, 20XX) |
| 1. | Long Term Fund Based Facilities – Term Loans | Long Term | 8.70 | IVR BBB-/Negative | IVR BBB- / Stable | IVR BBB / Stable | IVR BBB / RWDI* | IVR BBB / Stable | - |
| 2. | Short Term Fund Based | Short Term | 75.00 | IVR A3 | IVR A3 | IVR A3+ | IVR A3+/RWDI* | IVR A3+ | - |



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| 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 (August 05, 2024) | Date (November 01, 2023) | Date (July 04, 2023) | Date (April 06, 2022) | Date (Month XX, 20XX) |
| | Facilities – PC/PCFC | | | | | | | | |
| 3. | Short Term Fund Based Facilities – LC Bill Discounting | Short Term | 20.00 | IVR A3 | IVR A3 | IVR A3+ | IVR A3+/RWDI* | IVR A3+ | - |
| 4. | Non-Fund Based Bank Facilities – Bank Guarantee | Short Term | (2.00)** | - | | IVR A3+ | IVR A3+/RWDI* | IVR A3+ | - |

**This facility was previously independently rated but as per the revised sanction terms now this has become the sublimit of PC/PCFC.

* Rating Watch with Developing Implications

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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



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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 |
|--------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Term Loan | - | - | - | Up to FY27 | 8.70 | IVR BBB- /Negative |
| PC / PCFC | - | - | - | Revolving | 75.00 | IVR A3 |
| LC Bill Discounting | - | - | - | - | 20.00 | IVR A3 |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Rameswar-Udyog-06dec24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



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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

