Press Release

Rajmahal Retail Private Limited (RRPL)

(Erstwhile Rajmahal Silks and Textiles Private Limited)

March 07, 2025

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	108.67	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Total	**108.67 (Rupees One Hundred Eight Crore Sixty-Seven 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

The assignment of the ratings by Infomerics to the bank facilities of Rajmahal Retail Private Limited (RRPL) factors the extensive experience of the promoters and management, improving scale of operations yet moderate profitability margins, moderate credit metrics, moderate operating cycle.

The ratings, however, are constrained by significant investment in the new business segment which could impact the credit metrics in the medium term, seasonal demand for the products, geographical concentration risk, exposure to intense competition.

The ‘Stable’ outlook indicates that RRPL is expected to continue to derive benefits out of the vast experience of the promoters, a long-track record of operations and expected improvement in revenue and profitability.

Key Rating Sensitivities:

- **Upward Factors**
  - Successful implementation of the jewellery segment, leading to an increase in operational scale beyond Rs 350.00 crores, along with improved margins, and
  - Substantial & sustained growth in the debt protection metrics & capital structure.

- **Downward Factors:**
- Any decline in revenue and profitability leading to deterioration in debt protection metrics & capital structure or
- Decline in the DSCR of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoters and management:

Rajmahal Retail Private Limited benefits from the extensive experience of its promoters and management team, who bring over two decades of expertise in the textile industry. Established in 2015, the company is a family-run business led by Mr. R. Muruganand, Mrs. M. Jeyalakshmi Muruganand, Mr. M. Raaja Vinayak, and Mr. M. Raja Pranav. The promoters' collective experience has been instrumental in building a strong customer base, fostering repeat orders, and ensuring smooth business operations. Mr. R. Muruganand oversees the silk saree segment, personally sourcing sarees from suppliers, while Mr. Raaja Vinayak handles overall administration, HR, accounts, and key decision-making. Mr. M. Raja Pranav, who has been with the company for the past year, is responsible for the procurement of ready-made garments and textiles and will soon manage the jewellery division.

Improving scale of operations yet moderate profitability margins:

The company generated revenue of Rs 192.39 crores in FY24 (Refer period from April 01, 2023 to March 31, 2024), which is 7.00% more than FY23 (Refer period from April 01, 2022 to March 31, 2023) due to an increase in the demand for silk sarees and readymade garments. In FY24, the company achieved profit of Rs 7.24 crores which is 2.85% less than FY23. The decline in the profit is due to the increase in depreciation and interest during the year. EBITDA margins have decreased to 8.11% in FY24 with respect to FY23 which is 9.53% and PAT margin has decreased from 4.13% in FY23 to 3.72% in FY24. The decline in margins from FY23 to FY24 is majorly attributed to the increase in advertisement and travel expenses significantly due to the company venturing into the jewellery business. With successful establishment of the jewellery segment, these costs are expected to be moderated, which may aid improvement in the operating margins in the future. The company's performance as of

January 2025 stands at Rs. 168.71 crores. With strong demand for silk sarees expected over the next two months due to the wedding season, there is a revenue visibility for FY25.

Moderate credit metrics:

As of March 31, 2023, the company's overall gearing ratio was 0.45 times. However, this ratio deteriorated in FY24, increasing to 0.80 times. The Total Debt to EBITDA ratio saw a substantial decline, rising from 1.10 times in FY23 to 2.53 times in FY24. Additionally, the ratio of Total Outside Liabilities to Adjusted Total Net Worth (TOL/ATNW) also reflected higher leverage, increasing from 0.92 times in FY23 to 1.00 times in FY24. The interest coverage ratio decreased from 10.31 times in FY23 to 6.26 times in FY24. The decline in the Gross Cash Accruals (GCA), which contributed to a significant increase in the Total Debt to GCA ratio, rising from 1.43 times in FY23 to 3.12 times in FY24. Furthermore, the company's Debt Service Coverage Ratio (DSCR) decreased to 2.92x in FY24, primarily due to lower GCA available to meet debt repayment obligations.

Moderate operating cycle:

In FY24, Rajmahal Retail Private Limited has an operating cycle of 40 days, which reflects its efficient management of inventory and receivables. The company has no collection period, indicating that payments are collected immediately due to its retail sales model, where customers typically pay upfront. The inventory period is 54 days, which reflects the time it holds stock before it is sold. This is relatively efficient, especially considering the higher stock turnover for ready-made garments, which move faster compared to slower-selling silk sarees. The company also benefits from a creditor period of 15 days, allowing it to delay payments to suppliers, thereby improving liquidity and reducing the strain on cash flow.

B. Key Rating Weaknesses

Significant investment in the new business segment which could impact the credit metrics in the medium term:

Expanding into the jewellery segment presents potential challenges for a textile company. One key weakness is the lack of experience and expertise in the jewellery industry, which may hinder the company's ability to effectively compete and manage operations in a newer market.

The company would need to invest in understanding market trends, sourcing quality materials, and establishing relationships with suppliers and retailers in a different industry, which could consume more time and resources. Additionally, the jewellery market has different consumer demands and competitive dynamics, requiring the company to adapt its business strategies, marketing, and product offerings. This diversification could also lead to stretched management resources, as the company would need to oversee operations in both textiles and jewellery, potentially diverting focus from its core business. These factors could create operational inefficiencies and could impact profitability. With the successful implementation of this segment, RRPL will position itself as a comprehensive solution for all special occasions, encompassing a wide range of offerings from Silk Sarees to Gold Jewellery. While substantial progress has been made in expanding into the jewellery segment, the successful scaling of operations will remain a key factor to monitor for future growth and performance.

Seasonal demand for the products:

The demand for certain products varies significantly depending on the time of year, driven by cultural and festive events. For instance, silk sarees experience a surge in demand during the Muhurtham season, a period that typically spans from January 15 to March 15, April 15 to May 15, and from August 1 to the end of September. These months are considered auspicious for weddings and other traditional ceremonies, which significantly drives the need for silk sarees. In contrast, ready-made garments see peak sales primarily during the festive season, with notable increases around Diwali and Christmas, particularly between October and December. During these months, consumers tend to purchase new clothes for celebrations and gatherings, contributing to the heightened demand for ready-made apparel.

Geographical concentration risk:

RRPL faces geographical concentration risk as its operations are currently limited to Madurai, Tamil Nadu, with a single retail showroom and boutique. In response to the challenges posed by the COVID-19 pandemic in 2019, the company diversified into the online marketplace through platforms such as its website, WhatsApp, and Instagram. However, it has been observed that customers in the region tend to prefer purchase high end sarees through brick-and-mortar stores. This preference is likely influenced by traditional values and mindset. As a result, despite the expansion into online channels, the revenue generated from digital platforms remain comparatively low.

Exposure to intense competition:

A significant weakness for RRPL in the textile industry lies in its exposure to intense competition within the retail market for silk sarees and ready-made garments. The presence of numerous local and global players creates constant pressure on pricing and market share. Moreover, the company faces challenges related to supply chain dependencies, particularly with fluctuations in raw material costs or potential disruptions in the procurement of silk and other fabrics. Additionally, the rapid evolution of fashion trends and shifting consumer preferences may hinder the company's ability to maintain inventory relevance. High operating costs and economic downturns further risk impacting profitability.

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
Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The gross cash accruals of the company stood at Rs 12.63 crores in FY24 as against loan obligations of Rs 2.69 crores. The company expected to generate cash accruals of Rs 14.48 crores in FY25 as against the debt obligation of Rs 3.17 crores. The average working capital utilization for the past twelve months ended December 2024 remained moderate at 31.81%. The current ratio of the company stood at 1.63x as on March 31, 2023 and 1.96x as on March 31, 2024. The cash and cash equivalents as on March 31, 2023 is Rs 3.46 crores and Rs 0.44 crores as on March 31, 2024. The company has also been sanctioned ABL Dropline OD facility of Rs 15.00 crores and Rs.1.20 crores of term loan from State Bank of India in the month of January 2025, which are yet to be disbursed.

About the company

Rajmahal Silks and Textiles Private Limited was established in 1965 in Madurai by late Mr. Rajaiah under the name Rajmahal Firms. The company is currently managed by Mr. Rajaiah's family, including Mr. R. Muruganand, Mrs. M. Jeyalakshmi Muruganand, Mr. M. Raaja Vinayak, and Mr. M. Raja Pranav. Until 2014, the business operated under two separate entities: Rajmahal Readymades and Rajmahal Firms. In 2015, these two firms were merged and rebranded as Rajmahal Silks and Textiles Private Limited.

The company is into retail trading which offers silk sarees, ready-mades, textiles, and more, catering primarily to B2C customers in Madurai and surrounding areas. The business is divided into three segments: silk sarees (70%), ready-mades (20%), and textiles (10%). The company is in the process of expansion into the Jewellery retail business within the same entity and hence rebranded the company as Rajmahal Retail Private Limited.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	179.81	192.39
EBITDA	17.13	15.61
PAT	7.45	7.24
Total Debt	18.82	39.45
Tangible Net worth	42.14	49.37
EBIDTA Margin (%)	9.53	8.11
PAT Margin (%)	4.13	3.72
Overall Gearing ratio (X)	0.45	0.80
Interest coverage (x)	10.31	6.26

Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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
1	Cash Credit	Long Term	80.00	IVR BBB-/Stable	-	-	-
2	Term Loans	Long Term	13.67	IVR BBB-/Stable	-	-	-
3	Dropline OD – ABL	Long Term	15.00	IVR BBB-/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] 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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Annexure 1: 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	-	-	-	Revolving	80.00	IVR BBB- /Stable
Term Loans	-	-	-	Up to January 2030	13.67	IVR BBB- /Stable
Dropline OD – ABL	-	-	-	Up to November 2034	15.00	IVR BBB- /Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-RajmahalRetail-mar25.pdf

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

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

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.