



## Press Release

### Rama Industries Limited (RIL)

January 02, 2024

#### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Facilities	10.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Bank Facilities	15.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>25.00</b> <b>(Rupees Twenty-five crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings assigned to the facilities of Rama Industries Limited (RIL) derive strength from the experienced promoters and long track record of operations in gelatine market, improving scale of operations with healthy operating margins, and comfortable capital structure and debt protection metrics. The rating strengths are however, constrained by implementation risk of project, susceptibility to volatility in input prices and supplies in a highly regulated industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of operations along with profitability on a sustained basis.

##### Downward Factors

- Deterioration in scale of operations and profitability impacting liquidity and debt protection metrics.
- Larger than expected debt-funded capex, deteriorating capital structure and debt protection metrics.
- Stretch in working capital cycle.



## Press Release

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

#### **Experienced promoters and long track record of operations in gelatine market**

Rama Industries Limited is promoted by the Ramsinghani family. RIL's directors, Mr Daulat Jaisingh Ramsinghani has experience of more than two-decades in the fertilizer industry and Mr H. D. Ramsinghani, has overall experience of fifteen years in the field of textile, petrochemicals and fertilizers. Rama Industries Limited has been engaged in manufacturing gelatin and di-calcium phosphates since 2001. Thereafter, it has also started manufacturing Ossein which is used in house.

#### **Improving scale of operations with healthy operating margins**

RIL's total operating income (TOI) has seen a CAGR growth of 15.71% in the last three years. TOI increased from Rs.86.51 crore in FY21 to Rs.107.30 crore in FY22 and to Rs.134.02 crore in FY23 on account of higher demand. The company has achieved revenue of RS.76.04 crore in HIFY24. The scale of operations, though modest have been supported by healthy operating margins. EBITDA margin has increased from 10.75% in FY21 to 15.94% in FY22 to 23.71% in FY23.

#### **Comfortable capital structure and debt protection metrics**

The company has a tangible net worth of Rs.70.19 crore as on March 31, 2023. The company has an unsecured term loan of Rs. 10.00 crore from Sirius Financial Services Pvt Ltd with bullet repayment repayable on or before September 30,2026. The repayment of Rs.10 crore has been factored in FY26. The overall gearing ratio of the company stood comfortable at 0.16x as on March 31, 2023, and at 0.28x as on March 31, 2022. TOL/TNW of the company stood at 0.36x as on March 31, 2023, and 0.63x as on March 31, 2022. The debt protection metrics are also comfortable with an interest coverage ratio of 20.48x in FY23 as against 11.15x in FY22. Total debt to GCA remained adequate at 0.31 times in FY23 and 0.63 times in FY22. Further, the company is planning a capex of Rs.25 crore in FY26 to be funded through a mix of Rs.8 crore term loan and Rs.17 crore internal accruals. The projected gearing and debt protection metrics are expected to be comfortable in the medium term.



## Press Release

### **Key Rating Weaknesses:**

#### **Project implementation risk**

The company plans to set up a Calcium Chloride plant with 7200 MTPA capacity of at the estimated capital outlay of Rs. 20.00 crores which is expected to commence by September 2025. The company already has free land available. The main purpose is to reuse the wash water stream received from Di-calcium phosphate plant which contains about 4% Calcium Chloride. The company also intends to set up a solar power and biogas plant which will reduce energy expenses annually and this project is estimated to cost around Rs.5.00 crore. The total project cost of Rs.25.00 crore is being funded by term loan of Rs.8.00 crore and internal accruals of Rs.17.00 crore. As of now, the project is in a nascent stage and details are being finalized.

#### **Susceptibility to volatility in input prices.**

Crushed animal (cattle) bone and hydrochloric acid are the key raw materials for the company which are sourced domestically. The market for crushed animal bone is highly unorganized which can cause the operating margins to be susceptible to price fluctuations.

#### **Supplies to a highly regulated industry.**

Around 95% of the total sales come from the sale of gelatine to the pharmaceutical sector where gelatine is majorly used in manufacturing of capsule coating. The pharmaceutical industry is a closely monitored and regulated industry and as such there are inherent risks and liabilities associated with the products and their manufacturing.

**Analytical Approach:** Standalone approach

### **Applicable Criteria:**

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Default Recognition](#)



## Press Release

### Liquidity – Adequate

Liquidity position is adequate marked by sufficient cushion expected in average accruals of Rs.25.26 crore in FY24, Rs.25.67 crore in FY25 and Rs.28.20 crore in FY26 vis-à-vis nil repayment obligations in FY24 and FY25 and of Rs.10.89 crore in FY26. The company is planning a capex of Rs. 25.00 crores in FY26 through a mix of Rs. 8.00 crore term loan and Rs.17.00 crore from internal accruals. The current ratio is adequate at 6.43x as on March 31, 2023. The free cash and bank balance of the company stood at Rs.12.77 crore as on March 31, 2023.

### About the Company:

Rama Industries Limited was incorporated in 1987 and started its full fledge commercial operation in 2001. Rama Industries Limited is promoted by the Ramsinghani family. RIL has been engaged in manufacturing of Gelatine, Di-calcium phosphate and Ossein. They have one manufacturing unit situated at Lalru, Punjab with 2,000MTPA capacity.

### Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	107.30	134.02
EBITDA	17.10	31.78
PAT	15.27	31.50
Total Debt	10.00	10.00
Adjusted Tangible Net-worth	35.39	61.45
<b>Ratios</b>		
EBITDA Margin (%)	15.94	23.71
PAT Margin (%)	14.17	23.19
Overall Gearing Ratio (x)	0.28	0.16

*\*Classification as per Infomerics Standards*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable



## Press Release

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating assigned in 2022- 23	Date(s) & Rating assigned in 2021- 22	Date(s) & Rating assigned in 2020- 21
1.	Fund based Facility -Term loan	Long term	10.00	IVR BBB- /Stable	-	-	-
2.	Proposed Fund based Bank Facility-Term loan	Long term	8.00	IVR BBB- /Stable			
3.	Proposed Fund based Bank Facility-Cash Credit	Long term	7.00	IVR BBB- /Stable	-	-	-

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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 help 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. For more information visit [www.infomerics.com](http://www.infomerics.com).



## Press Release

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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility –Term Loan	-	-	September 30,2026	10.00	IVR BBB-/Stable
Proposed Long Term Fund Based Bank Facility –Term Loan	-	-	-	8.00	IVR BBB-/Stable
Proposed Long Term Fund Based Bank Facility- Cash Credit	-	-	-	7.00	IVR BBB-/Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Rama-Industries-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** 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 <https://www.infomerics.com/>.