



## Press Release

### Rameswar Udyog Private Limited (RUPL)

**August 05, 2024**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Facilities	8.70 (reduced from Rs.17.64 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Downgraded	Simple
Short Term Facilities	75.00	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	Downgraded	Simple
Short Term Facilities	20.00	IVR A3 (IVR A Three)	-	Assigned	Simple
<b>Total</b>	<b>103.70 (Rupees One Hundred Three Crore and Seventy Lakh Only)</b>				

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 downgraded its ratings assigned to the long term facilities to IVR BBB- with stable outlook and short term facilities to IVR A3 of Rameswar Udyog Private Limited (RUPL). Infomerics Ratings has also assigned ratings of IVR A3 for the short term enhanced facilities of RUPL.

The rating downgrade takes into consideration sequential decline in profit margins albeit there is sign of improvement in Q1FY25, below unity DSCR in FY24 (refers to period April 01, 2023 to March 31, 2024) (Prov.) and expected status-quo in FY25 (projection). However, 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.



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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 66% of the company's revenue in FY24 (P) as compared to 53% 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. The company has export orders to the tune of Rs.89.44 crore as on July 11, 2024 to be completed within 45-60 days.



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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 0.49x and 1.36x respectively as on March 31, 2024 (P) from 0.60x and 1.39x respectively as on March 31, 2023. ISCR has declined to 0.82x in FY24 (P) from 1.34x in FY23 due to increased interest expenses during the year. DSCR stood around unity with 0.91x during FY24 (P). The current ratio is comfortable at 1.55x as on March 31, 2024 (P). The company has cash and cash equivalent of Rs.3.03 crore as on March 31, 2024 (P). Operating cycle has improved and stood at 74 days as on March 31, 2024 (P) 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 (P) 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 0.58% in FY24 (P) 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 4.55% EBITDA margin in Q1FY25 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 1.55x as on March 31, 2024 (P) 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 (P).

### **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	Provisional
Total Operating Income	292.45	486.61
EBITDA	6.42	7.22
PAT	3.13	2.88
Total Debt	96.63	98.48
Adjusted Tangible Net Worth	69.70	72.58
EBITDA Margin (%)	2.20	1.48
PAT Margin (%)	1.05	0.58
Overall Gearing Ratio (x)	1.39	1.36
Interest Coverage (x)	1.34	0.82

\* 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 August 29, 2023 on account of non-furnishing 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 (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- / Stable	IVR BBB / Stable	IVR BBB / RWDI*	IVR BBB / Stable	-
2.	Short Term Fund Based Facilities – PC/PCFC	Short Term	55.00	IVR A3	IVR A3+	IVR A3+ / RWDI*	IVR A3+	-
3.	Short Term Fund Based Facilities – LC Bill Discounting	Short Term	20.00	IVR A3	IVR A3+	IVR A3+ / RWDI*	IVR A3+	-



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					Date (November 01, 2023)	Date (July 04, 2023)	Date (April 06, 2022)	Date (Month XX, 20XX)
4	Enhanced Short Term Fund Based Facilities – PC/PCFC	Short Term	20.00	IVR A3	-	-	-	-
5	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 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.





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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 and definition of ratings please visit [www.infomerics.com](http://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
Term Loan	-	-	-	Up to FY27	8.70	IVR BBB- / Stable
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-RameswarUdyog-aug24.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**

**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](http://www.infomerics.com).