



Press Release

Rudra Cottex Private Limited (RCPL)

July 16, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	81.78	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	2.50	IVR A3 (IVR A Three)	-	Assigned	Simple
Proposed Long Term Facilities	27.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Total	111.28 (Rupees One Hundred Eleven crore and Twenty-Eight lakh only)				

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

Detailed Rationale

Infomerics has assigned its ratings to the bank facilities of RCPL which derives strength from improvement in revenue and profitability, comfortable debt capital structure, extensive experience of promoters and benefits from capex. The ratings strengths are, however, constrained by susceptibility of profitability to volatility in raw material prices and intense competition prevalent in the industry.

The assignment of stable outlook reflects that RCPL will continue to benefit from the extensive experience of its promoters coupled with expected improvement in revenue and profitability over FY25-FY27.



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Key Rating Sensitivities:

Upward Factors

- Successful completion of setting up of captive power plant leading to improvement in EBITDA margins.

Downward Factors

- Any decline in operating income and/or profitability leads to deterioration in overall financial risk profile of the company.
- Stretched working capital cycle and/or large, debt-funded capex weakening the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in revenue and profitability

RCPL's revenue has improved by 6.39% on y-o-y basis to Rs.222.35 crore in FY24 (Prov.) (refers to period April 1, 2023, to March 31, 2024) driven by improved higher volume despite declined in realisations. However, Infomerics expects RCPL's revenue to improve from FY25 onwards with expected improvement in realisation with higher proportion of value-added yarn in overall revenue. EBITDA margins have improved significantly to 14.35% in FY24 (P) (FY23: 9.17%) due to lower power cost as company has benefited from captive consumption of wind mill of 2.70 MW which was commissioned from October, 2022. Infomerics expects EBITDA margins to further improve from FY25-FY26 onwards as company is in the process of setting up additional solar power plant of 6.25 MW which will further reduce power cost.

Comfortable capital structure

RCPL's capital structure continued to remain comfortable and improved in FY24(Prov.) with improvement in overall gearing and TOL/ Adjusted TNW stood at 0.98x and 1.44x respectively as on March 31, 2024 (P), as against 1.41x and 1.97x respectively as on March 31, 2023 on due to increase in net worth with accretion of profits. Further, RCPL's interest coverage ratio and Total debt/ NCA ratio has improved to 3.57x and 4.18x respectively in FY24(Prov.) from 2.41x and 6.75x respectively in FY23 with improved profitability.



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Extensive experience of promoters

The promoters of RCPL have experience of around 10 years in diverse businesses, such as trading of cotton bales, manufacturing paper and construction. Their experience has been critical in enabling the company to establish relationships with customers and suppliers, leading to timely scaling up of operations, and should continue to support the business.

Key Rating Weaknesses

Project Implementation Risk:

RCPL is in the process of setting up solar power plant with the total capacity of 6.25 MW out of which (1.25MW is expected to commission from August 25 and balance is expected to commission from October 25) with total cost of Rs. 28.04 crore funded through debt (75.00%), internal accruals (12.52%) and balance through unsecured loans from promoters. RCPL is yet close financial tie up for this capex and benefits of the capex will start from 2HFY26. Infomerics notes that RCPL expose to project implementation risk as RCPL is yet to complete funding tie up and any cost or time over run may impact the leverage of the company.

Susceptibility of profitability to volatility in raw material prices

Cotton being an agro-commodity is susceptible to agro-climatic risks. The profit margins are highly susceptible to changes in the prices of cotton. The government through the Minimum Support Price (MSP) fixes the price of cotton. However, the purchase price depends on the prevailing demand-supply situation, which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability. Additionally, demand for yarn largely is driven by international demand supply dynamics, resulting in volatile margins.

Intense competition prevalent in the industry

The textile industry segment is characterised by high levels of fragmentation and low entry barriers across the value chain. RCPL faces stiff competition in the domestic market and from other upcoming players because of lower production costs, ease-of-doing-business, and availability of cheap labour.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating outlook](#)

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

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

Liquidity –Adequate

The liquidity position of the company remains adequate as cash accruals are expected to adequately match with debt repayment obligations. The average fund based working capital utilisation for 12 months ending March 2024 is at 97.64%. The current ratio and quick ratio stood at 1.43x and 0.33x respectively, as on May 31, 2024.

About the Company

RCPL was incorporated in 2016. The company is owned and managed by Mr. Nilesh Patel, Mr. Radhe Pokar and Mr. Rahul Dholu. It is engaged in cotton spinning to produce combed and carded yarn. Its manufacturing facility is in Ahmedabad and Gandhinagar, Gujarat, with installed capacity of 27,360 spindles.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	209.00	222.35
EBITDA	19.16	31.91
PAT	6.18	12.29
Total Debt	100.47	81.48
Tangible Net Worth	71.09	83.26
EBITDA Margin (%)	9.17	14.35
PAT Margin (%)	2.90	5.52
Overall Gearing Ratio (x)	1.41	0.98
Interest Coverage (x)	2.41	3.47

*Calculations as per Infomerics Standard.

Status of non-cooperation with previous CRA:



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Brickwork Ratings India Private Limited (BWR) migrated the ratings assigned to RCPL's bank facilities in the "Issuer Not Cooperating" vide Press Release dated November 9, 2023, due to non-submission of information by the company.

CRISIL Ratings Limited migrated the ratings assigned to RCPL's bank facilities in the "Issuer Not Cooperating" vide Press Release dated July 5, 2024, due to non-submission of No Default Statement (NDS) for the past three months.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/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.	Term Loan	Long Term	50.78	IVR BBB-/ Stable	--	--	--
2.	Cash Credit	Long Term	31.00	IVR BBB-/ Stable	--	--	--
3.	Proposed Term Loan	Long Term	22.00	IVR BBB-/ Stable	--	--	--
4.	Proposed Cash Credit	Long Term	5.00	IVR BBB-/ Stable			
4.	Bank Guarantee	Short Term	2.50	IVR A3	--	--	--

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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).



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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.

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

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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
Term Loan	-	-	January, 2029	50.78	IVR BBB-/ Stable
Cash Credit	-	-	-	31.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	22.00	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	5.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	2.50	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-RudraCottex-july24.pdf>



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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.

