



## Press Release

### Rainbow Fabart Private Limited

July 11<sup>th</sup>, 2025

#### Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facilities	8.88 (Reduced from Rs. 12.52 Crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Upgraded	Simple
2.	Short Term Bank Facilities	48.50 (Enhanced from Rs. 47.48 crore)	IVR A3+ (IVR A three plus)	IVR A3 (IVR A three)	Upgraded	Simple
<b>Total</b>		<b>57.38</b>	<b>(Rupees fifty-seven crore and thirty-eight lakhs only)</b>			

**Details of facilities are in Annexure 1**

#### Rating Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long-term and short-term rating of Rainbow Fabart Private Limited (RFPL) to IVR BBB, and the short-term rating to IVR A3+ for its bank facilities.

The rating upgrade takes into consideration improvement in the company's scale of operations & profitability, and strong debt protection metrics. In addition to that, the ratings continue to draw comfort from the promoters' extensive industry experience. However, the ratings remained constrained by the competitive and working capital-intensive nature of the industry, vulnerability to changing market trends, as well as geographical and client concentration risks.

The Stable outlook reflects a low likelihood of a rating change over the medium term. Infomerics Ratings believes that Rainbow Fabart Private Limited (RFPL) will continue to



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benefit from the experienced promoters in the same line of business and company is expected to maintain stable operational performance going forward.

IVR has principally relied on the standalone audited financial results of RFPL up to 31 March 2024, Provisional results for FY2025 (refers to period April 1st, 2024, to Mar 31, 2025) and projected financials for FY2026 (refers to period April 1st, 2025, to Mar 31, 2026) -FY2028 (refers to period April 1st, 2027, to Mar 31, 2028), and publicly available information/clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Rating Factor:**

- Significant and sustained growth in the scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Effective working capital management with improvement in operating cycle and liquidity.

#### **Downward Rating Factor:**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any further deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to further deterioration in the gearing ratio remaining above 1.50x on sustained basis.

### **Detailed Description of Key Rating Drivers**

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

- **Extensive experience of promoters:**

RFPL is managed by Mr. Rajeev Mehta. He has been engaged in the garments industry for a fairly long time. The company has around two decades of operational track record in manufacturing & sales of readymade garments. The extensive experience of the promoters is also reflected through the established relationship with its suppliers and customers. Under the leadership of its promoters and their established network, the company has been able to maintain growth momentum over the last few years. The promoters are supported by team of qualified & experienced professional.



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- **Improvement in scale of operations and profitability**

Total operating income (TOI) witnessed growth by 41.19% and stood at Rs. 269.71 crore in FY25 (Prov.) as against Rs. 191.03 crore in FY24. The increase in TOI is primarily due to increase in sales volume. On absolute level, earning before interest tax depreciation and amortisation (EBITDA) increased from Rs. 14.90 crore in FY24 to Rs. 29.25 crore in FY25 (Prov.) while profit after tax (PAT) increased from Rs. 8.08 crore in FY24 to Rs. 20.96 crore in FY25 (Prov.). EBITDA margin increased by 305 bps and stood at 10.85% in FY25 (Prov.) as against 7.80% in FY24, due to decrease in consumption cost of raw material and PAT margin increased to 7.62% in FY25 (Prov.) as against 4.16% in FY24, in line with EBITDA Margin. Gross Cash Accruals (GCA) of the company stood at Rs. 24.87 Crore in FY25 (Prov.) as against Rs 12.04 Crore in FY24.

- **Strong debt protection metrics**

The company has strong debt protection matrices with improvement in interest service coverage ratio (ISCR) to 12.19x in FY25(Prov.) as against 5.17x in FY24. ISCR increased on account of decrease in interest and finance charges and increase in EBITDA. Debt service coverage ratio (DSCR) stood comfortable at 3.91x in FY25 (Prov.) as against 2.67x in FY24.

### Key Rating Weaknesses

- **Competitive and working capital-intensive nature of the industry**

The company faces stiff competition from many players in the domestic as well as international market, which exerts pressure on its profitability as well as scale of business operations. The operations of the company are also very capital intensive in nature, as seen in the periodic upgrades of machinery and expansion of capacity, typically occurring in last few years.

- **Vulnerability to changing fashion trends**

Readymade garment business is characterized by a constant change in fashion trends and as such the ability of the company to constantly innovate in terms of fashion trends is important. The textile and fashion industry faces an array of risks capable of disrupting every aspect of its operations, from production to market presence. These risks encompass supply chain interruptions, fluctuations in raw material prices, quality control challenges, and shifts in consumer preferences.

- **Geographical and client concentration risk**



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RFPL has ~92% of its top line contributed by exports from the three major countries & clients i.e., Spain, UK and Ireland, leading to geographical concentration risk. This exposes the company to concentration risk however long-term association and repeat orders in the past provides some comfort.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing 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 company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has current ratio of 1.41x as of March 31, 2025 (Prov.). The unencumbered cash and bank balance of company stood at Rs. 7.80 Crores as on 31st March 2025 (Prov.). The average fund-based utilisation stood moderate at 39% for the last 12 months ended May'25, indicating sufficient cushion of cash flow. RFPL's operating cycle days stood at 76 days in FY25(Prov.) as against 78 days in FY24 with decrease in inventory period of 43 days in FY24 to 32 days in FY25 (Prov.) and decrease in creditors period of 79 days in FY24 to 64 days in FY25 (Prov.) with an increase in scale of operations.

### **About the Company**

Rainbow Fabart Private Limited (RFPL) was formed as a partnership firm by Mr Rajeev Mehta in 1992, and reconstituted as a private limited company in 2003, based in Noida, Uttar Pradesh and registered office situated at Mehrauli, Southwest Delhi. The company is engaged in manufacturers of knit/woven.



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Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	191.03	269.71
EBITDA	14.90	29.25
PAT	8.08	20.96
Total Debt	45.48	36.51
Tangible Net Worth	48.22	70.05
EBITDA Margin (%)	7.80	10.84
PAT Margin (%)	4.16	7.62
Overall Gearing Ratio (x)	0.94	0.52
Interest Coverage (x)	5.17	12.19

\*Classification as per Infomerics' standards

Details of non-co-operation with any other CRA: None

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2025-26)			Rating History for the past 3 years		
	Type	Amount	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
		(INR Crore)	(July 09, 2025)	(June 11, 2024)	-	-
Term Loans	Long Term	8.88	IVR BBB / Stable	IVR BBB- / Stable	-	-
EPC / LC / BG	Short term	48.50*	IVR A3+	IVR A3	-	-

\*Includes sublimit of BG for Rs. 0.50 Crore.



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### About Infomerics:

Infomerics Valuation and Rating 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.

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)

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### Annexure 1: Details of Facilities

(Rs. Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Term Loan 1	-	-	27.04.2026	0.88	IVR BBB- / Stable
Term Loan 2	-	-	31.03.2029	8.88	IVR BBB- / Stable
EPC	-	-	-	35.00	IVR A3+
SLC	-	-	-	7.00	IVR A3+
LC/ BGs				5.00*	IVR A3+
Derivative /FC / CL	-	-	-	1.50	IVR A3+

*\*Includes sublimit of BG for Rs. 0.50 Crore.*

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-rainbow-fabart-11july25.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 [www.infomerics.com](http://www.infomerics.com).