



Press Release

Rameswar Udyog Private Limited (RUPL)

July 04, 2023

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Term Loans	17.64 (Reduced from INR26.54 crore)	IVR BBB / RWDI (IVR Triple B; Rating Watch with Developing Implications)	Rating reaffirmed and placed under Rating Watch with Developing Implications	Simple
Short Term Fund Based Facility – PC / PCFC	55.00 (Increased from INR27.00 crore)	IVR A3+ / RWDI (IVR A Three Plus; Rating Watch with Developing Implications)	Rating reaffirmed and placed under Rating Watch with Developing Implications	Simple
Short Term Fund Based Facility – LC Bill Discounting	20.00	IVR A3+ / RWDI (IVR A Three Plus; Rating Watch with Developing Implications)	Rating reaffirmed and placed under Rating Watch with Developing Implications	Simple
Short Term Non-Fund Based Facility – Bank Guarantee	2.00	IVR A3+ / RWDI (IVR A Three Plus; Rating Watch with Developing Implications)	Rating reaffirmed and placed under Rating Watch with Developing Implications	Simple
Total	94.64	(Rupees Ninety Four Crore and Sixty Four Lakh Only)		

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation to the long term and short-term bank facilities of Rameswar Udyog Private Limited (RUPL) factors in experienced promoters, geographically diversified operations, expected substantial improvement in revenue in FY24 and comfortable capital structure. The ratings are, however, constrained by intense competition in the industry exposure and susceptibility of its profitability to fluctuation in raw material prices.

The ratings are placed under rating watch with developing implications to monitor sustainability of revenue achieved in Q1FY24.



Press Release

Key Rating Sensitivities:

Upward Factors

- Substantial growth in operating income and profitability on a sustained basis
- Improvement in capital structure with overall gearing ratio of less than 1.0x on a sustained basis

Downward Factors

- Any decline in scale of operations and/or moderation in profitability
- Deterioration in capital structure with overall gearing ratio of more than 2.0x on a sustained basis
- 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

Incorporated in 1996, RUPL is promoted by Mr. Harsh Ajitsaria and his family members. 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 56% of the company's revenue in FY23 (UA) as compared to 65% in FY22 (A). RUPL exports to many countries (including Bangladesh, Turkey, Iran, Egypt, the UAE, Czech Republic, Italy and Mauritius). Also, the Company's either export sales are backed by letter of credit or have advance payment mechanism, hence, the receivables risk faced by the company is negligible.

Expected substantial improvement in revenue in FY24



Press Release

FY23 has been a particularly subdued year for the textile and yarn industry because of very high volatility in cotton prices and reduced export demand due to geo-political crisis. However, the demand has revived and sales have started picking up from the month of January 2023 onwards. Further, the Company has already achieved the turnover of Rs.166.84 crore during Q1FY24 which gives an indication of better performance likely to be achieved in FY24. The Company is expected to achieve total operating income of ~Rs.600 crore in FY24 from Rs.292.43 crore in FY23 (UA).

Comfortable capital structure

The capital structure of the Company continues to remain comfortable marked by total debt to equity ratio and overall gearing ratio of 0.60x and 1.40x respectively, as on March 31, 2023 (UA) as compared to 0.96x and 1.49x respectively, as on March 31, 2022 (A). Further, total indebtedness of the company marked by TOL/TNW improved to 1.61x as on March 31, 2023 (UA) as against 1.87x as on March 31, 2022 (A).

Key Rating Weaknesses:

Intense competition in the industry

The spinning and trading industry is highly fragmented and competitive with the presence of a large number of organised and unorganized players. Intense competition in the industry and commoditised 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 condition, international demand and supply situation, export policy etc.

Analytical Approach: Standalone



Press Release

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for rating outlook](#)

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 remain favourable relative to its debt-servicing obligations during FY24-FY26. 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 1.66x as on March 31, 2023 to meet its near-term cash requirements. RUPL's average fund based working capital utilization for twelve months ended May 2023 stands at 18%. RUPL has cash and bank balance of Rs. 14.42 crore as on March 31, 2023.

About the Company

Incorporated in November 1996, 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 21,888 spindles as on March 31, 2023. It also had industrial garment manufacturing capacity of 6 lakhs as on March 31, 2023.



Press Release

Financials (Standalone):

For the year ended* As on	(INR Crore)	
	31-03-2022	31-03-2023
	Audited	Unaudited
Total Operating Income	581.75	292.43
EBITDA	36.99	6.46
PAT	21.57	1.85
Total Debt	98.90	96.63
Tangible Net Worth	66.58	69.22
Ratios		
EBITDA Margin (%)	6.36	2.21
PAT Margin (%)	3.68	0.62
Overall Gearing Ratio (x)	1.49	1.40

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA:

ICRA has continued to classify the ratings of the bank facilities of RUPL under "ISSUER NOT COOPERATING" category, vide their press releases dated June 01, 2022 on account of non-availability of requisite information.

Any other information: None

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 outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					April 06, 2022		January 28, 2021
1.	Fund Based Bank Facilities – Term Loans	Long Term	17.64	IVR BBB / RWDI	IVR BBB / Stable	--	IVR BBB- / Stable
2.	Fund Based Bank Facilities – PC / PCFC*	Short Term	55.00	IVR A3+ / RWDI	IVR A3+	--	IVR A3
3.	Fund Based Bank Facilities – LC Bill Discounting	Short Term	20.00	IVR A3+ / RWDI	IVR A3+	--	IVR A3



Press Release

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
4.	Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	2.00	IVR A3+/ RWDI	IVR A3+	--	IVR A3

**Includes sub-limit of Cash Credit of Rs.15.00 crore and FOBP/FOUBP/FABC/FAUBC of Rs.55.00 crore.*

Name and Contact Details of the Rating Analysts:

Name: Kajal Sampat Tel: (022) 62396023 Email: kajal.sampat@infomerics.com	Name: Amit Bhuwania Tel: (022) 62396023 Email: abhuaniania@infomerics.com
--	---

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.

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.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	--	--	FY25	9.60	IVR BBB / RWDI
Term Loan	--	--	FY27	8.04	IVR BBB / RWDI
PC / PCFC	--	--	--	55.00	IVR A3+ / RWDI
LC Bill Discounting	--	--	--	20.00	IVR A3+ / RWDI
Bank Guarantee	--	--	--	2.00	IVR A3+ / RWDI

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-rupl-jul23.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/>.