

Radnik Auto Exports

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Radnik Auto Exports (RAE) to monitor the rating(s) vide e-mail communications/letters dated March 08, 2025, March 05, 2025, March 01, 2025, and February 28, 2025, etc. among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings.

Further RAE has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Limited's (CARE Ratings') rating on RAE's bank facilities will now be denoted as **"CARE BB; Stable; ISSUER NOT COOPERATING*"**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The long-term rating has been revised on account of non-availability of requisite information due to non-cooperation by RAE with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The long-term rating assigned to the bank facilities of Radnik Auto Exports (RAE) is constrained on account of its modest albeit growing scale of operation and moderate albeit declining profitability margins. Further, the ratings are constrained due to raw material price volatility risk, presence in a highly competitive industry and foreign exchange fluctuation risk. The rating, however, derives strength from moderate operating cycle, comfortable capital structure and debt coverage indicators. Further, the ratings derive comfort from experienced partners coupled with long track record of operations and association with established customers.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the firm will continue to benefit from long-standing experience of the partners in the industry.

Detailed description of key rating drivers: At the time of last rating on March 28, 2024, following were the rating strengths and weaknesses

Key weaknesses

Modest, albeit growing scale of operations

RAE's scale of operations is on growing trajectory as marked by total operating income of Rs.126.18 crore in FY23 (Audited) as against Rs. 100.46 crore in FY22 (Audited). The improvement in scale is on account of higher number of contracts executed for Army's jackets and trousers. Nevertheless, scale remains modest, it limits the firm's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that RAE's scale is growing continuously at a compounded annual growth rate (CAGR) of 17.04% in past three fiscal years ended FY23. Further, RAE has achieved a total operating income of Rs. 164.54 crore in 10MFY24 and is expected to achieve a total operating income of around Rs. 197.00 crore in FY24 backed by healthy demand scenario.

Moderate, albeit declining profitability margins

The firm maintains wide variety of product portfolio wherein the margins largely depend upon product category and quality of product manufactured. The firm's profitability margins stood moderate though declining as marked by PBILDT and PAT margins of 5.34% and 3.20% respectively in FY23 (Audited) as against 7.81% and 5.71% respectively in FY22 (Audited). The decline in margins is owing to increase in cost of goods sold, which the firm was unable to pass on completely to its customers. However, the profitability margins of the firm have improved as marked by PBILDT and PAT margins of 7.43% and 3.71% respectively in

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

10MFY24 on account of increase in sales of Army products which fetched better margins. Moreover, the PBILDT margin is expected to remain moderate in the range of 6.00-8.00% over medium term as envisaged.

Raw material price volatility risk

The key raw material required for production of goods is polyester Fiber. It is a derivative of crude oil and hence the prices are directly correlated to variations in global crude oil prices which are inherently highly volatile. Therefore, RAE continues to be exposed to any fluctuation in the prices of Fiber which the firm is partially able to pass on to its customers on account of low bargaining power towards increase in final product prices.

Foreign exchange fluctuation risk

The business operations of RAE involves both exports and imports resulting in sales realizations and cash outflow in foreign currency. RAE exports its product in overseas markets such as Spain, Norway, Germany, U.S.A. etc. and export contribution to total sales stood around 72% for FY23 (FY22: ~43%). Further, its import procurement to the raw material cost stood at around 10% for FY23 (FY22: ~8%), thereby exposing the firm to volatility in the foreign exchange rates. However, being both importer and exporter, the foreign exchange fluctuation risk is partially mitigated through a natural hedge. The firm do not have any policy to hedge its foreign currency receivable which exposes the firm to any sharp depreciation in the value of rupee against foreign currency for the uncovered portion.

Presence in a highly competitive industry

The firm operates in a highly competitive industry marked by the presence of a large number of players in the unorganized sector. The industry is characterized by low entry barriers due to easy availability of products. This further leads to high competition among the various players and low bargaining power with the suppliers. RAE's pricing power is restricted with limited ability to pass on any increase in the input cost due to intense competition. However, for its auto sock product, the firm enjoys leading position in manufacturing of auto socks in India.

Key strengths

Experienced partners coupled with long track record of operations

Established in the year 2006, RAE is currently managed by Mr. Anurag Kapur, Mr. Vinod Kapur, Mr. Akshay Kapur and Mr. Vikas Kapur. Mr. Anurag Kapur is a post graduate, having an experience of around two decades through his association with RAE. He is associated with RAE since its inception and looks after the overall business affairs of the firm. Mr. Vinod Kapur (uncle of Mr. Anurag Kapur) takes active part in all the managerial decision of the firm. He is a graduate having an extensive experience of around four and half decades in the manufacturing of apparels and other textile products through his association with RAE and other associate concerns. The partners are well supported by other two partners, Mr. Akshay Kapur (son of Mr. Vinod Kapur) and Mr. Vikas Kapur (brother of Mr. Anurag Kapur). RAE is having a considerable track record in this business, which has resulted in long term relationships with both suppliers and customers.

Association with established customers

RAE manufactures auto socks, jackets and bags for the established customers like AutoSock Operations AS, Hennes & Mauritz (H&M), Zara, Target Corporation, VIP Industries Limited, Benetton India Private Limited, Maisha Lifestyle etc. The association with reputable clientele results in higher visibility and increased presence in the market.

Moderate operating cycle

RAE's operating cycle stood moderate and improved to 64 days in FY23 (Audited) as against 73 days in FY22 (Audited) on account of improvement in realisation from customers followed by improvement in inventory holding period. RAE is required to maintain an adequate inventory of raw materials for smooth running of production process resulting in an average inventory holding period of around 49 days in FY23 (Audited). The firm extends a credit period of 2-3 months to its customers (mainly for bags segment) resulting in an average collection period of around 65 days in FY23 (Audited). For its auto sock product, the firm gets payment in advance. RAE normally receives a credit period of around 2 months from its suppliers resulting in an average creditors' period of around 50 days in in FY23 (Audited). Further, average utilization of working capital limits stood at around 80% in the past 12 months ended February 29, 2024.

Comfortable capital structure and debt coverage indicators

On March 31, 2023 (Audited), debt profile of the firm comprises of term loans of Rs. 0.62 crore and utilized working capital borrowings of Rs.15.65 crore as against tangible net worth base of Rs. 30.24 crore. The capital structure of the firm stood comfortable as marked by overall gearing ratio of 0.54x on March 31, 2023 (Audited) as against 0.42x on March 31, 2022 (Audited). The marginal deterioration is on account of increase in working capital limits to support business growth. Further, the overall gearing ratio improve to 0.39x in 10MFY24 and is expected to remain below unity over the medium term as envisaged. Due to increase in debt levels and decline in profitability leading to decline in gross cash accruals, the debt coverage indicators of the firm deteriorates though stood comfortable as marked by the total debt to gross cash accruals and interest coverage ratio of 2.97x and 4.53x respectively in FY23 as against 1.87x and 6.88x respectively in FY22.

Liquidity: Adequate

RAE's liquidity position stood adequate as characterized by sufficient cushion in accruals vis-à-vis its repayment obligations. The firm has generated net cash accruals (NCA) of Rs. 5.48 crore in FY23 (Audited) and Rs. 7.85 crores in 10MFY24.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Leather And Leather Products

Established in the year 2006, RAE is a partnership firm based in Noida (Uttar Pradesh). The firm is engaged in manufacturing of luggage and school bags. It also manufactures Auto sock i.e. tyres covers primarily used in snowy areas. These covers are used in cars to increase the friction so that tyres do not lose its grip on road and vehicle can be stopped at once. It has also started manufacturing of Army jackets and trousers. The major revenue is derived from the Bag vertical. Its manufacturing facilities are located at Noida Special Economic Zone (NSEZ) and Greater Noida (Uttar Pradesh).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	10MFY24 (Prov.) *
Total operating income	100.46	126.18	164.54
PBILDT	7.84	6.74	12.23
PAT	5.74	4.04	6.10
Overall gearing (times)	0.42	0.54	0.39
Interest coverage (times)	6.88	4.53	11.12

A: Audited UA: Unaudited; Prov.: Provisional; Note: these are latest available financial results

*Refers to the period from April 01, 2023 to January 31, 2024.

Status of non-cooperation with previous CRA: Acuite (SMERA) has downgraded the ratings assigned to the bank facilities of Radnik Auto Exports under ISSUER NOT COOPERATING category vide its press release dated October 14, 2024, on account of its inability to carry out review in the absence of requisite information from the firm.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Proposed fund based limits		-	-	-	8.40	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	January 2029	0.60	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	21.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	21.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (03-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (31-May-22)	-
2	Fund-based - LT-Term Loan	LT	0.60	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (03-Apr-24)	-	-	-
3	Fund-based - LT-Proposed fund based limits	LT	8.40	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (03-Apr-24)	-	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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