Rajapalayam Textile Limited

May 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	14.62	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	30.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Rajapalayam Textile Limited (RTL) derive strength from extensive experience of promoters in textile industry and it being a part of Ramco group, presence of captive renewable power plants and relatively lower reliance on external borrowings. Ratings also factor operational synergies among the textile companies of the Ramco group having centralised procurement, marketing and quality control functions. Ratings also draw comfort from the management's stated articulation of support to RTL in case of exigencies from the group and/or promoters.

However, ratings are tempered by moderation in its operating profitability over past three years ended FY25 (FY refers to April 01 to March 31) mainly on the back of decline in cotton yarn spread and de-growth in sales volume in FY25 due to transitioning to cotton-polyester blend yarns. However, operating profitability is expected to recover from FY26 onwards with expected growth in sales volume, improvement in spread and other cost-efficiency measures undertaken by the company. Ratings are also constrained due to RTL's leveraged capital structure and weak debt coverage indicators, working capital intensive operations, susceptibility of operating profitability to volatility in raw material prices and its presence in the inherently cyclical, fragmented and competitive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations while achieving profit before interest, lease rentals, depreciation and taxation (PBILDT) margin over 8% on a sustained basis.
- Gradual increase in cash accruals as envisaged leading to improvement in debt coverage indicators.

Negative factors

- Lower-than-envisaged improvement in operational and financial performance with PBILDT margins below 4% on a sustained basis.
- Significant increase in debt levels due to debt-funded capex plans or elongation in working capital cycle.
- Deterioration in overall credit profile of Ramco group or major companies.

Analytical approach: Standalone along with factoring linkages with the Ramco group having common promoter group and cross shareholding between the group companies. Ramco group consists of the eight companies, RTL, The Ramco Cements Limited (TRCL), Ramco Industries Limited, Ramco Systems Limited, Rajapalayam Mills Limited (rated 'CARE A; Stable/ CARE A2+'), The Ramaraju Surgical Cotton Mills Limited, Sri Vishnu Shankar Mill Limited (rated 'CARE BBB-; Stable/ CARE A3'), Rajapalayam Textile Limited (rated 'CARE BBB-; Stable/ CARE A3') and Sandhya Spinning Mill Limited (rated 'CARE BB+; Stable/ CARE A4+'). TRCL has strongest credit profile in the group. Being a part of the textile division of the group, RTL is expected to receive need-based support from Ramco group. There are operational synergies among textile companies of the group.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes RTL's operating profitability to improve from FY26 onwards leading to gradual improvement its financial risk profile in the medium term. Moreover, RTL shall continue to benefit from extensive experience of promoters and it being a part of Ramco group.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters and clear articulation of support from group and/ or promoters

Over the years, Ramco group grew multi-fold with interests spanning across textiles, cement, building materials to software solutions. Presently, P.R. Venketrama Raja is the Chairman of Ramco Group. Under textile division, Ramco group has total installed capacity of 424,336 spindles, 7,852 rotors, 77.30 MW of windmills and arrangement for 45.21 MW of solar power as on March 31, 2025. Apart from common promoter group, group's textile companies derive operational synergies from centralised procurement, marketing and quality control functions. The group has demonstrated track record in providing technical, managerial and financial support to its group entities in case of exigencies. Ramco group has ensured zero default in all its companies over the past 89 years. As informed by the group Chairman, the group shall continue to ensure timely debt servicing and in case of exigencies, there will be support from promoters and/or group companies in the timely manner.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Moderate operating efficiencies and recent arrangement for captive power
RTL has comparatively shorter track record of operations compared to other textile companies within the group. However, RTL has consistently operated at over 90% of capacity utilisation over past few years. Revenue for past two years ended FY25 was entirely from the domestic market where top five customers accounted for ~60-70% of the revenue. As informed by the management, RTL has ventured in manufacturing cotton-polyester blend yarns from 100% cotton yarns in FY25 leading to drop in volumes because of transitioning. Till FY24, RTL met its entire power requirements from grid resulting into high power cost at ~12-14% of its total operating income (TOI). However, RTL entered group captive solar arrangement for 3.15 MW in FY25 which is expected to lead to savings in power cost by ~2-3%. RTL is also exploring additional captive solar power capacity of ~1-2 MW to be funded by unsecured loans/ promoter funds infusion.

Liquidity: Adequate
The average utilisation of its working capital limits stood moderate at ~57% for the 12 months ended March 2025. Current ratio stood at 1.14x as on March 31, 2024. RTL's operating cycle improved to ~92 days in FY25 (FY24: 111 days) backed by improvement in the inventory holding period by ~30 days.
RTL has scheduled debt repayment obligations of ₹2.90 crore and ₹2.37 crore for FY26 and FY27 respectively. Despite expected improvement in financial performance from FY26 onwards, RTL's annual cash accruals are expected to remain lower than debt repayment obligation in medium term necessitating refinancing of the debt. Timely refinancing for debt repayments in case of requirement shall remain a key monitorable. RTL derives financial flexibility being part of Ramco group and has demonstrated track record of financial support by promoters in form of unsecured loans. For meeting FY26 debt service obligations, the promoter group infused unsecured loans of ₹2.30 crore in April 2025. RTL is expected to avail term loan up to ₹6 crore in FY26 which shall aid in future debt repayments for any shortfall in cash accruals. Management is also in talks with the promoter to raise equity by December 2025. Timing and quantum of equity would be based on operating performance.

Key weaknesses
Leveraged capital structure and weak debt coverage indicators
On the back of consistent losses for past three years ended FY25, RTL's net worth has been impacted and stood at ₹28.45 crore (inclusive of ₹36 crore of subordinated unsecured promoter loans) as on March 31, 2025. With moderation in profitability, debt coverage indicators also moderated over past three years ended FY25. As on March 31, 2025, RTL had total debt of ₹24 crore. The capital structure is expected to remain weak in the medium term as RTL is expected to report net loss despite expected improvement in operating profitability.
Post decline in its TOI in FY24 to ₹71.61 crore (FY23: ₹79.35 crore) mainly due to fall in average yarn realisations, RTL's TOI further declined in FY25 to ₹63.57 crore mainly on account of decline in sales volume due to transitioning to cotton polyester blended yarns. This also led to moderation in operating profitability. However, with expected growth in sales volume and realisations, RTL is expected to witness an average TOI growth of ~10-12% in near to medium term. PBILDT margin is expected to improve and remain in range of 4-5% in medium term backed by expected growth in sales volume, improvement in realisations and other cost efficiency measures undertaken by the management to reduce wastage in spinning process and savings in power and employee costs. However, despite expected improvement in operating profitability, interest coverage is expected to remain below 2x and total debt/ PBILDT is expected to remain above 6x in near-to-medium term.

Susceptibility to volatility in the raw material prices
The basic raw material consumed by RTL to produce yarn is raw cotton, which accounts for nearly 60-70% of the total cost of sales. Raw cotton prices have been volatile over the last couple of years, which translates into risk of inventory losses for the industry players, though at times it also leads to inventory gains.

Presence in cyclical, competitive and fragmented textile industry
The Indian textile industry is inherently cyclical in nature. Any adverse changes in global economic outlook and demand-supply scenario in the domestic market directly impacts domestic textile industry. Textile industry as a whole, remains vulnerable to factors such as input price fluctuations, mobilisation of adequate workforce and changes in government policies for overall development of the textile industry. Its highly fragmented structure results in high level of competition and intense pricing pressures. Operating margin is also susceptible to uncertainty associated with the US tariff. Though reciprocal tariff on India was lower than competing countries, trade agreement with the US by India and competing countries during a 90-day pause and resultant tariff would be monitorable.

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Cotton Textile
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

Incorporated in 2014, RTL is a part of Ramco group, founded by P.A.C. Ramasamy Raja. RTL is promoted by R. Sudarsanam of Ramco group. Ramco Group is one of India's respected groups and has achieved recognition for its quality products and services. The group has well-diversified interests spanning from textiles, cement, building materials to software solutions.
RTL manufactures cotton yarn of counts ranging from 60s to 100s. It had a capacity of 19,200 spindles and 1,344 rotors in Rajapalayam, Tamil Nadu as on March 31, 2025. It also has a group captive solar power arrangement for 3.15 MW.

Brief Financials (₹ crore)	FY24 (A)	FY25 (UA)
Total operating income	71.61	63.57
PBILDT	1.65	(0.02)
PAT	(3.78)	(4.16)
Overall gearing (times)*	0.84	0.85
Interest coverage (times)	0.81	NM

A: Audited; UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results
* Considering ₹36 crore of unsecured loan from promoters as subordinated to bank loans from FY24 onwards.

Status of non-cooperation with previous CRA: Not applicable.

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-Term Loan	-	-	-	31-07-2029	8.12	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	31-03-2029	6.50	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	30.00	CARE BBB-; Stable / CARE A3

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	8.12	CARE BBB-; Stable	-	-	-	-
2	Fund-based - LT-Working capital Term Loan	LT	6.50	CARE BBB-; Stable	-	-	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	30.00	CARE BBB-; Stable / CARE A3	-	-	-	-

LT: Long term; LT/ST: Long term/Short 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-Term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	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.

Contact us

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About us:

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