

RAM SPINNING MILLS PRIVATE LIMITED

June 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	56.80	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	39.20	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ram Spinning Mills Private Limited (RSMPL) is constrained due to its leveraged capital structure, modest scale of operations and profitability which is vulnerable to volatility in raw material prices, highly fragmented and competitive and cyclical nature of industry. The ratings are also constrained due to RSMPL's stretched liquidity.

The ratings, however, derive strength from experienced promoters in cotton textile industry, however ownership remained fragmented, and its moderate working capital cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in scale of operations above Rs. 250 crore while maintaining its profitability leading to cash accrual above Rs.10 crore.
- Sustained improvement in overall gearing below 2.5x

Negative factors

- Significant decline in scale of operations and/or Profit Before Interest, Lease, Depreciation and Taxes margin below 5.25%.
- Any large debt funded capex/significant increase in working capital intensity leading to deterioration in overall gearing above 3.9x

Analytical approach: Standalone

Outlook: Stable

The 'stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that RSMPL shall continue to benefit from the experience of its promoters.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations and profitability

RSMPL's total operating income (TOI) grew by ~30% y-o-y to Rs.202.52 crore in FY25 (provisional) with increase in sales volume following scaling up of its manufacturing operations of its recently commissioned spinning facility. However, its sales realisation moderated in line with moderation in raw material prices.

RSMPL reported PBILDT margin of 6.09% in FY25 (provisional), improved from previous year (FY24: 5.75%) with increase in scale of operations. Going forward, PBILDT margins are expected to improve with increase in scale and operationalisation of solar power plant.

Leveraged capital structure

RSMPL's capital structure stood leveraged, as marked by an overall gearing of 3.77x as on March 31, 2025 (FY24: 3.25x) with high reliance on external debt. The total outside liabilities to net worth stood high at 4.15x as on March 31, 2025 (FY24: 3.52x). Going forward, the capital structure is expected to improve on account of profit accretion to reserves. Debt coverage indicators stood moderate, as marked by adequate PBILDT interest coverage of 2.35x in FY25 (2.86x in FY24) and very high total debt to GCA (TD/GCA) of 11.74x in FY25(11x in FY24).

Susceptibility of profitability to raw material prices

RSMPL primarily uses cotton to manufacture yarn and faces challenges from volatile yarn prices. Price fluctuations, driven by global production, weather, geopolitical issues, and demand, affect cost estimation, inventory management, and pricing, impacting manufacturing costs and profitability across the supply chain.

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

Highly fragmented, competitive, and cyclical nature of industry

The Indian textile industry is highly fragmented and competitive, comprising numerous small and large players across cotton cultivation, yarn production, fabric weaving, and garment manufacturing. The sector is cyclical, with demand influenced by fashion trends, economic conditions, and shifting consumer preferences, requiring companies to be strategically flexible and adaptable.

Key strengths

Experienced Promoters however no promoter family account for majority share

The key promoters, accounting for more than ~80% shareholding, has more than 30 years of experience in cotton ginning and spinning. This has helped RSMPL in raw material procurement and scaling up its operations. The promoters have also supported operations through infusion of unsecured loans. However, the ownership is fragmented among multiple families with no single-family holding a majority share in the company.

Moderate working Capital Cycle

RSMPL's gross current assets days remained moderate at 81 days (PY: 50 days) and operating cycle at 38 days (PY: 20 days) for FY25. The requirement is partially funded by creditors period of 12 days (PY: 9 days).

Liquidity: Stretched

RSMPL's liquidity remains stretched, characterized by low cash accruals, high utilisation of working capital limits with negative cash flow from operations. During FY25(Prov.), RSMPL has generated cash accruals of Rs.7.10 crore against scheduled debt repayment of around Rs.7-8 crore for next three years, supported by infusion of funds by promoters in case of requirements. Average of maximum utilisation of the bank limits of Rs.9.90 crore remained high at around 97% over the 12 months ending April 2025. Cash flow from operations was negative at Rs. 5.66 crore in the last fiscal year.

Further, unencumbered cash and bank balance was around Rs. 0.12 crore as of March 31, 2025. Further, RSMPL's current ratio and quick ratio remained at 1.23x (PY:1.00x) and 0.27x (PY: 0.32x) for FY25 (provisional).

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Policy On Curing Period](#)

[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 March 2021, Ram Spinning Mills Private Limited (RSMPL), based in Paliyad (Botad), is engaged in manufacturing various types of cotton yarn with an installed capacity of 8300 MT per annum as of March 31, 2025. RSMPL has its office in Botad, Gujarat and manufacturing facilities in Paliyad, Botad.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	155.81	202.52
PBILDT	8.96	12.33
PAT	-1.38	2.01
Overall gearing (times)	3.25	3.77
Interest coverage (times)	2.86	2.35

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

Status of non-cooperation with previous CRA: CRISIL migrated the ratings of RSMPL under 'Issuer not cooperating' category vide press release dated June 12, 2025, considering its inability to carry out a rating exercise in the absence of the requisite information from the company.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	9.90	CARE BB; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	35.20	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	4.00	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	30-06-2031	46.90	CARE BB; Stable

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	Term Loan-Long Term	LT	46.90	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	9.90	CARE BB; Stable				
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	35.20	CARE BB; Stable / CARE A4				
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	4.00	CARE BB; Stable / CARE A4				

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-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Term Loan-Long Term	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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