

N. Ranga Rao & Sons Private Limited

October 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	4.00	CARE A; Stable	Assigned
Long-term bank facilities	137.50	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of N. Ranga Rao & Sons Private Limited (NRRSPL) continues to consider the strong brand image of its 'Cycle' brand. The rating considers its established market standing with the company sustaining dominant position in the domestic agarbatti market aided by over seven decades of promoters' rich experience and an extensive distribution network. The rating also considers the company's stable operational performance with consistent growth in revenue, which per CARE Ratings Limited's (CareEdge Ratings') opinion may grow at a compounded annual growth rate (CAGR) of 5-7% led by its plans to increase its retails outlet reach and increasing visibility through ecommerce/quick commerce platform. CareEdge Ratings also positively takes note of continued healthy cashflow from operations, satisfactory debt coverage indicators, and strong capital structure and liquidity position despite share buybacks and demerger of non-core operations being carried out by the company.

However, credit strengths are partly offset by lower-than-expected profit before interest, depreciation and taxation (PBIDT) margins, though marginally, due to increased spending on promotional expenses, high inventory requirement, which leads to relatively high operating cycle, and high level of competition from organised and unorganised players. Going forward, the company's ability to improve its operating margins in wake of ramping-up operations of newer products and volatile raw material prices will be key to its credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in scale of operations of over ₹1,200 crore with return on capital employed (ROCE) above 15% and total outside limits to tangible net worth (TOL/TNW) of less than 0.5x.

Negative factors

- Deterioration in capital structure with TOL/TNW over 1x or interest coverage falling below 5x.
- Crystallisation of contingent liabilities, impacting the company's liquidity profile.

Analytical approach: Consolidated

Analytical approach has been changed from Standalone, factoring support to subsidiaries to consolidated considering significant investment by NRRSPL in its subsidiaries. Refer to [Annexure-6](#) for details of all entities consolidated.

Outlook: Stable

The 'Stable' outlook indicates CareEdge Ratings' expectation that NRRSPL will continue to maintain its dominant market position aided by brand recall of its products and long standing in the industry.

Detailed description of key rating drivers:

Key strengths

Strong brand image and established market position

NRRSPL is one of the leading manufacturers of incense sticks in India, with a long track record of operation of nearly seven decades in the incense stick manufacturing business. It sells incense sticks under the brand name 'Cycle Pure Agarbatti', which is a reputed brand in the industry. The 'Cycle brand' is a market leader in southern India and generates over half of revenue from these states. The company has launched air care products under 'IRIS' brand, which has been growing steadily. NRRSPL is

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

presently being managed by third generation of promoter's family and the company's day-to-day operations are managed by Arjun Ranga. In CareEdge Ratings' opinion, rich experience of promoters and board-level guidance from Motilal Oswal Private Equity (MOPE) ensures strong corporate governance and augurs well for the company's brand image.

Consistent improvement in income

The company's total operating income (TOI) has been consistently growing with growth improved by ~5% in FY25 being led by new air care and spiritual segments. The company has been taking steps to increase its market presence and increased its spending to enhance brand visibility by increased marketing and brand promotion expenses. Gross margins dipped slightly in FY25 due to higher sales of trading-based spiritual products. Profit before depreciation, interest and taxes (PBDIT) margins stayed low at ~8% due to high marketing spends. CareEdge Ratings expects, the company's PBDIT margins may stabilise in the range of 8.5%-9.5% in the near-to-medium term, supported by efficiency improvements, and economies of scale.

Satisfactory capital structure

With sufficient liquidity in place, the company had done share buyback in FY23 and FY24 and demerged its non-core operations in FY25. As a result, despite reporting healthy profitability, the company's net worth as on March 31, 2025, remained at similar levels as on March 31, 2024. The company's capital structure remained healthy, marked by overall gearing, which stood at 0.34x as on March 31, 2025 (including financial lease liabilities created due to implementation of Ind As 116).

Although the company's working capital borrowings increased during the year, leading to a slight deterioration in debt coverage and interest coverage indicators, the management has indicated that there are no plans for further share buybacks in the near-to-medium term. With no significant debt-funded capex planned, CareEdge Ratings expects the company to continue generating healthy cash flows, which will be utilised for operational requirements and will further strengthen its capital structure.

While support from the holding company to its subsidiaries is not expected to materially dilute the company's comfortable capital structure significantly, large, unforeseen support or crystallisation of contingent liabilities affecting its capital structure significantly may weigh negatively on its credit profile.

Key weaknesses**High level of competition from organised and unorganised segment**

Incense stick market in India is highly fragmented with many unorganised players. Few organised players with national presence, dominate the industry and face intense competition. While the company enjoys strong market position, pricing flexibility remains limited due to intense competition. Tamil Nadu, Maharashtra, Karnataka, Uttar Pradesh and West Bengal are major consumer states of incense sticks and its allied products in India. Gulf, Europe and Africa are top three leading export markets for India's incense stick.

High inventory requirement which leads to relatively high operating cycle

While the company's collection cycle continues to remain low, it maintains high amount of finished goods inventory and packing material ahead of monsoon and festive months, and additionally, the company stores high amount of fragrance solutions. At any time, the company holds finished goods inventory of ~45-55 days of sales depending on the season and one month's inventory of raw materials. The high inventory requirement leads to a relatively long operating cycle.

Declining profit margins and susceptibility to raw material price volatility

In the last four years, there have been several regulatory changes from the government of India (GOI) including amendment of category of raw agarbatti from free to restricted, import duty hike on bamboo sticks, which are largely imported, among others, exposing the company's margin. Similarly, profitability margins are also susceptible to chemicals and packaging paper prices. CareEdge Ratings notes that though the company has been taking adequate steps to mitigate increased raw material prices, its ability to protect margins from these disruptions is critical for its prospects.

Liquidity: Adequate

The company's liquidity has been supported by adequate cash accruals against low term debt repayments. The company has no major capex plans in current fiscal year and this coverage indicators are expected to remain comfortable. Average CC utilisation for 12-months ended August 2025 was ~55%. The company's operating cycle has shown consistent improvement on a year-on-year (y-o-y) basis and stood at 75 days in FY25 led by satisfactory collection period of 24 days. Given the company's low outstanding obligations and strong projected cash accruals, its liquidity position is expected to improve steadily over time.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Household products	Household products

NRRSPL is one of the leading manufacturers of incense sticks in India. It sells incense sticks under the umbrella brand name 'Cycle Pure Agarbatties'. Incense sticks are sold domestically and also exported to ~60 countries globally. The company currently has ~10,000 distributors and its products reach to eight lakh retail outlets in the country. In FY19, MOPE infused funds in the form of equity in NRRSPL.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	1145.77	1198.27	251.22
PBILDT	89.74	98.03	21.66
PAT	39.06	43.19	9.34
Overall gearing (times)	0.27	0.34	NA
Interest coverage (times)	7.31	6.97	6.22

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	137.50	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	March 2028	4.00	CARE A; 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	Fund-based - LT-Cash Credit	LT	137.50	CARE A; Stable	-	1)CARE A; Stable (22-Nov-24)	1)CARE A; Stable (08-Dec-23)	1)CARE A; Stable (09-Dec-22)
2	Fund-based - LT-Term Loan	LT	4.00	CARE A; Stable				

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Rangsons Inc, USA	Full	100%
2	Vietnam fragrances (Hoa Binh) Co Ltd, Vietnam	Full	100%
3	N.Ranga Rao and Sons Singapore Private Limited, Singapore	Full	100%
4	N R R & sons Private Limited, Sri Lanka	Full	100%
5	Suwanda Industries Private limited, Sri Lanka	Proportionate	92%
6	Lao Incense & Natural Sole Co Ltd, Laos	Full	100%
7	Rang Pal Private Limited, Nepal	Full	100%
8	Rangdesh (BD) Limited, Bangladesh	Full	100%

Note on complexity levels of rated instruments: CareEdge 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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