Rajapalayam Mills Limited

December 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	662.15 (Enhanced from 660.85)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	856.60 (Reduced from 857.90)	CARE A; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	51.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Rajapalayam Mills Limited (RML) continue to derive strength from extensive experience of its promoters in textile industry and it being part of Ramco group, long and established position in the domestic and export market supported by healthy operating efficiencies with presence of captive renewable power plants. Ratings also factor operational synergies among textile companies of the Ramco group having centralised procurement, marketing and quality control functions. Ratings draw comfort from the management's stated articulation of support to RML in case of exigencies from the group and/or promoters and sizeable unencumbered equity investments in listed group companies, such as, The Ramco Cements Limited (TRCL), Ramco Industries Limited (RIL) and Ramco Systems Limited (RSL). RML has option to sell part of these investments as demonstrated in the past in case of any exigencies.

However, ratings remain constrained due to RML's leveraged capital structure and weak debt coverage indicators, working capital intensive operations, susceptibility of operating profitability to volatility in raw material prices and foreign exchange rate fluctuations and its presence in the inherently cyclical, fragmented and competitive industry. Ratings also remain constrained on account moderate profitability and cash accruals leading to tightly matched debt service coverage ratio.

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 of over 15% 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 margin below 10% on a sustained basis.
- Increase in encumbrance levels on its investments in listed group entities to over 75% of the current holding levels by way of pledge or non-disposal undertaking.
- Deterioration in overall credit profile of major companies of Ramco group.

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, RML, TRCL, RIL, RSL, 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 the flagship company of the group, RML is expected to receive need-based support from the Ramco group in case of exigencies and it has also extended corporate guarantee (CG) to other textile company of the Ramco group. Further, there are operational synergies among textile companies of the group.

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) expects sustained improvement in RML's operating performance as witnessed in H1FY26, thereby leading to gradual improvement its financial risk profile in the medium term. Moreover, RML shall continue to benefit from extensive experience of promoters and it being part of the 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

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

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 in the last 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.

Long and established market position in domestic and export market with reputed clientele
Incorporated in 1936, RML has a track record of over eight decades in the cyclical textile industry. RML enjoys a good relationship with its existing customers due to long and established track record in the industry. RML has geographically diversified revenue profile and it derived ~30-40% of revenue from exports in past two years ended FY25. Its customer base is moderately diversified with top 10 customers accounting for ~50% of its total sales in the last few years.

RML has a moderately diversified product profile where cotton yarn accounts for ~70-80% (including ~45% share of value-added yarn) of revenue. Contribution of value-added yarns has been gradually increasing in the last few years. Furthermore, contribution of fabrics division to RML's TOI also increased from ~26% in FY25 to ~35% in H1FY26. Going forward, with improved capacity utilisation of fabrics facility, share of fabrics in the revenue mix is expected to increase further in the medium term.

Healthy operating efficiencies with presence of captive renewable power plant
In the last few years, RML has consistently operated its spinning capacity at ~95% except for FY24 due to muted demand in the industry, which recovered in FY25. Capacity utilisation levels of fabrics division also improved in H1FY26 to ~70% and is further expected to increase in the near-to-medium term backed by growing demand. RML has windmills with installed capacity of 35.15 MW, leading to significant savings in power cost. RML has also entered a group captive solar power arrangement for 17 MW. With this arrangement, the share of captive power consumption is expected to increase to ~80–85% in the near-to-medium term, leading to savings in power costs.

Key weaknesses

Leveraged capital structure and weak debt coverage indicators
RML's capital structure marked by overall gearing stood moderate at 2.60x as on March 31, 2025 (2.27x as on March 31, 2024) largely due to large size debt-funded capex in the last few years, high working capital requirements, and losses in FY25. RML's debt coverage indicators marked by interest coverage ratio stood below unity at 0.88x in FY25 (FY24: 1.24x) mainly due to moderation in operating profitability. The capital structure is expected to remain high in the medium term due to elevated debt level.

Despite decline in cotton prices and muted demand for textile products, RML's total operating income (TOI) grew by ~5% to ₹905 crore (FY24: ₹861 crore) backed by improvement in cotton yarn spread and growth in sales volume. However, PBILDT margin moderated to 8.91% (FY24: 11.04%) mainly due to operational losses from recently completed processed fabric capacity and decline in high margin exports.

RML reported TOI of ₹430 crore in H1FY26 (H1FY25: ₹447 crore) largely due to lower average sales realisation of yarn, backed by reduction in raw material prices. However, the operating profitability substantially improved in H1FY26 to 15.21% (H1FY25: 9.62%), primarily owing to ramp up of its fabric and processed fabric capacity, leading to favourable product mix. Further, despite improvement in operating profitability in H1FY26, the company incurred a net loss on account of higher interest cost and depreciation charge, although the net loss remained significantly lower than H1FY25. Going forward, with continued contribution from its fabrics division and benefits from other cost efficiency measures undertaken by the management to reduce wastage in spinning process and savings in power and employee costs, RML is expected to report PBILDT margin in range the of 12-14% in the medium term. 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 the near-to-medium term.

Susceptibility to volatility in the raw material prices and foreign exchange rate fluctuations
The basic raw material consumed by RML to produce yarn is raw cotton, which accounts for ~50-60% of the total cost of sales. Raw cotton prices have been volatile in 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.

RML is also exposed to foreign exchange fluctuations as it derives ~30-40% of its revenue from the export market, while it imports ~60-80% of its raw material requirements. Thus, RML's profitability margins remain susceptible to adverse movements in foreign currency. However, as informed by the management, RML hedges its foreign currency exposure largely through forward contract, mitigating the forex exposure to an extent.

Presence in cyclical, competitive and fragmented textile industry
Textile is a cyclical industry and closely follows macroeconomic cycles. Prices of raw materials and finished goods are determined by global demand-supply dynamics. Hence, a shift in the macroeconomic environment globally impacts the domestic textile industry. Textile industry 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.

With the imposition of additional secondary/reciprocal tariff by the US on Indian goods, Indian textile exporters face a significant cost disadvantage in the US compared to peers. However, as informed by the management, RML has limited direct exposure to the US market and hence imposition of 50% secondary/reciprocal tariffs by the US is not expected to have material impact on its operations.

Liquidity: Adequate

The average utilisation of RML's working capital limits stood high at ~96% for the 12 months ended October 2025. The current ratio continues to remain below unity. RML's operating cycle stood elongated though improved to 200 days in FY25 (FY24: 226 days) backed by improvement in its inventory holding period by 25 days.

RML has scheduled debt repayment obligations of ₹110-120 crore per annum for FY26 and FY27. RML's cash accruals are expected to remain lower to meet debt servicing in near-to-medium term, necessitating refinancing. RML met its H1FY26 debt obligations largely through cash accruals and additional debt of ₹40 crore. RML has scheduled debt repayment obligations of ₹52 crore in H2FY26, which is also expected to be met through additional debt and cash accruals. Timely refinancing for debt repayments shall remain a key monitorable.

RML derives financial flexibility being part of Ramco group and has a track record of refinancing for meeting its debt repayment obligations. RML has sizeable equity investments in listed group companies, such as TRCL, RIL and RSL. Around 56% of RML's stake in TRCL is under non-disposal undertaking/ pledge. The unencumbered market value of these quoted investments stood at ~₹1,739 crore as on September 30, 2025 (total market value of ~₹3,611 crore). Additionally, RML's board has approved disposal of shares of TRCL to the extent of ₹120 crore. In case of exigencies, RML has the option to raise additional finances against these shares of group companies for meeting its debt servicing requirements as demonstrated in the past.

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 and apparels	Other textile products

Incorporated in 1936, RML is founded by P.A.C. Ramasamy Raja, founder of the South India-based 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.

RML is the flagship company of Ramco group. RML manufactures cotton yarn of counts ranging from 2s to 300s and other value-added products such as Elitwist, Gassed yarn, High twist, Melange, Core spun yarn, and Mercerized yarn among others. RML is a well-established entity in the textile sector renowned for its high-quality yarn and fabrics. RML commenced operations with ~6,000 spindles and currently has an installed capacity of 151,808 spindles, 328 looms, 2,960 rotors and 180 lakh metres of finished fabrics as on March 31, 2025, across its four manufacturing facilities in and around Rajapalayam, Tamil Nadu. RML also has windmills with installed capacity of 35.15 MW and group captive solar power arrangement for 17 MW.

Brief Financials – Standalone (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	861	905	431
PBILDT	95	81	66
PBIT*	42	24	42
PAT	28	(50)	(4)
Overall gearing (times)	2.27	2.60	2.74
Interest coverage (times)	1.24	0.88	1.39

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

*Inclusive of non-operating income such as dividend and interest on investments, among others.

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	-	-	-	31-03-2032	428.83	CARE A; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	30-06-2031	233.32	CARE A; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	264.60	CARE A; Stable / CARE A2+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	592.00	CARE A; Stable / CARE A2+
Non-fund-based - ST-Working Capital Limits	-	-	-	-	51.00	CARE A2+

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	428.83	CARE A; Stable	1)CARE A; Stable (27-May-25)	-	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	51.00	CARE A2+	1)CARE A2+ (27-May-25)	-	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	264.60	CARE A; Stable / CARE A2+	1)CARE A; Stable / CARE A2+ (27-May-25)	-	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	592.00	CARE A; Stable / CARE A2+	1)CARE A; Stable / CARE A2+ (27-May-25)	-	-	-
5	Fund-based - LT-Working capital Term Loan	LT	233.32	CARE A; Stable	1)CARE A; Stable (27-May-25)	-	-	-

LT: Long term; ST: Short 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 - LT/ ST-Working Capital Limits	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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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