Rajapalayam Mills Limited

July 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	726.75 (Enhanced from 662.15)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	792.00 (Reduced from 856.60)	CARE A; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	51.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

Rationale and key rating drivers

Ratings assigned to bank facilities of Rajapalayam Mills Limited (RML) continue to derive strength from the extensive experience of its promoters and it being a part of the Ramco group. Ratings also factor RML's long operating track record in the textile industry, established relationships in domestic and export markets, moderately diversified product profile, and healthy operating efficiencies supported by increased capacity utilisation and captive renewable power sources. Ratings further factor operational synergies among textile companies of the Ramco group through centralised procurement, marketing, and quality control functions. CARE Ratings Limited (CareEdge Ratings) notes the improvement in RML's operating profitability in FY26 (refers to April 01 to March 31) as envisaged, which is expected to improve further in the medium term backed by recovery in exports demand, better product mix, and increased cotton yarn spread.

Ratings continue to draw comfort from the management's articulated support to RML from the group and/ or promoters in case of exigencies, and sizeable unencumbered quoted equity investments held by RML in group companies, such as, The Ramco Cements Limited (TRCL), Ramco Industries Limited (RIL), and Ramco Systems Limited (RSL). These investments provide financial flexibility to RML, with the option to raise funds through these investments, as demonstrated in the past. At present, RML has also extended some of these investments as a security to its current lenders.

However, ratings continue to remain constrained by RML's leveraged capital structure and weak debt coverage indicators, with moderate cash accruals resulting in tightly matched debt service coverage ratio. Ratings also remain constrained by its working capital-intensive operations, susceptibility of operating profitability to raw material price volatility, foreign exchange rate fluctuations, and its presence in the inherently cyclical, competitive, and fragmented 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 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 12% 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, cross shareholding among between the group companies and operational synergies among the textile companies.
Ramco group consists of eight companies: RML, TRCL, RIL, RSL, The Ramaraju Surgical Cotton Mills Limited (RSCM), Sri Vishnu Shankar Mill Limited (SVSML, rated 'CARE BBB-; Stable/ CARE A3'), Rajapalayam Textile Limited (RTL, rated 'CARE BBB-; Stable/ CARE A3') and Sandhya Spinning Mill Limited (SSML, rated 'CARE BB+; Stable/ CARE A4+'). TRCL has the strongest credit profile within the group. RML is expected to receive need-based support from the Ramco group in case of exigencies. RML has also extended corporate guarantee (CG) to another textile company within the group.

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

Outlook: Stable
CareEdge Ratings expects sustained improvement in RML's operating performance in the medium term, leading to gradual improvement in its financial risk profile. Moreover, RML shall continue to benefit from the extensive experience of its promoters and it being a part of the Ramco group.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters and articulated support from group/ promoters

Ramco group has an established track record of operations, with diversified presence across textiles, cement, building materials, and software solutions. Currently, the group is chaired by P.R. Venketrama Raja. Under its textile division, the group has aggregate installed capacities of 4,13,424 spindles, 7,664 rotors, 77.30 MW of wind power capacity, and arrangements for 45.21 MW of solar power as on March 31, 2026. Apart from sharing a common promoter group, the group's textile companies benefit from operational synergies through 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 past nine decades. As articulated 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 operating track record and established relationships with customers

Incorporated in 1936, RML has a track record of around nine decades in the cyclical textile industry. RML benefits from long-standing customer relationships, supported by its established presence in both domestic and export markets. RML has a geographically diversified revenue profile, with exports contributing ~30–40% of total sales. RML's customer base remains moderately diversified, with top 10 customers accounting for ~50% of total sales in the last few years. The company's long operating history and repeat business from existing customers support its business risk profile.

RML has a moderately diversified product profile comprising cotton yarn, including value-added yarns, and fabrics/ processed fabrics. While cotton yarn has historically remained the key revenue contributor, accounting for ~70-80% of revenue (including ~40-45% share from value-added yarn), the contribution from the fabrics division has increased meaningfully, supported by improved capacity utilisation levels. Share of fabrics division in the company's revenue increased to ~37% in FY26 (FY25: 27%). Going forward, the share of fabrics segment is expected to increase in the medium term, which is likely to improve revenue diversification and operating profitability.

Healthy operating efficiencies with presence of captive renewable power sources

RML has demonstrated healthy operating efficiency, with its spinning division consistently operating at high capacity utilisation levels of ~95% in the last few years, except in FY24, due to muted industry demand. The utilisation levels are expected to remain healthy in the medium term. The capacity utilisation of the fabrics division also improved in FY26, supported by ramp-up of fabrics and processed fabrics facilities, and is expected to increase further, backed by improved demand prospects. The company benefits from access to captive renewable power through windmills with installed capacity of 35.15 MW and a group captive solar power arrangement of ~15 MW. RML meets ~60-70% of its power requirement through captive/ group captive sources, leading to savings in power costs.

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

RML's capital structure continued to remain leveraged, marked by overall gearing of 2.77x as on March 31, 2026 (2.60x as on March 31, 2025), primarily on account of elevated debt levels, high working capital requirements, and net losses in last two years ended FY26. RML's total operating income (TOI) marginally grew by ~4% y-o-y to ₹944 crore in FY26, as growth in the fabrics segment was partly offset by lower yarn realisations backed by correction in cotton prices and change in product mix amidst global disruptions. However, its PBILDT margin improved substantially in FY26 to 13.15% (FY25: 8.91%), primarily supported by ramp-up of its fabric and processed fabric capacities leading to favorable product mix and better operating efficiencies. Nevertheless, despite improvement in operating profitability, RML continued to report a net loss of ₹15 crore (FY25: loss of ₹50 crore) due to high interest and depreciation charge.

RML's debt coverage indicators, marked by interest coverage and TD/ PBILDT, improved in FY26, but continued to remain weak at 1.34x (FY25: 0.88x) and 9.23x in FY26 (FY25: 13.79x), respectively. Going forward, RML's medium term revenue growth is expected to be driven by recovery in exports, improved demand prospects, and increase in capacity utilisation of the fabrics division. CareEdge Ratings expects significant improvement in PBILDT margin in the near-to-medium term, supported by higher contribution from the fabrics division, improved product mix, optimum raw material sourcing, and better cotton-yarn spreads. The capital structure and debt coverage indicators are expected to improve gradually with improvement in profitability and cash accruals.

Susceptibility to raw material price volatility and foreign exchange rate fluctuations
RML's profitability remains susceptible to volatility in raw cotton prices, as cotton accounts for ~50-60% of its cost of production. Cotton prices are influenced by factors, such as acreage, crop yield, monsoon conditions, domestic, and international demand-supply dynamics, inventory levels, and government-declared minimum support price (MSP). Cotton prices have remained volatile in the last couple of years, which translates to risk of inventory losses, although such volatility may also result in inventory gains at times.

RML is also exposed to foreign exchange fluctuations, as it derives ~35-40% of its revenue from export markets, while it imports ~60-70% of its raw material requirements. Accordingly, RML's profitability remains susceptible to adverse movements in foreign currency. As indicated by the management, RML largely hedges its foreign currency exposure through forward contracts, mitigating the forex risk to some extent.

Presence in cyclical, competitive, and fragmented textile industry
RML operates in the cyclical and fragmented textile industry, marked by the presence of several organised and unorganised players, resulting in high competition. The textile industry remains vulnerable to factors, such as input price fluctuations, mobilisation of adequate workforce, and changes in government policies. The textile industry is inherently cyclical in nature and closely follows macroeconomic business cycles. Raw material prices and finished goods are also determined by the global demand-supply scenario. Hence, any shift in global macroeconomic environment can impact the domestic textile industry.

Demand of cotton yarn improved across both domestic and export markets, aided by easing US tariff-related uncertainties, better order flows from apparel and home textile exporters, and optimism around India-UK and India-EU free trade agreements (FTAs). Domestic cotton prices moving closer to international parity has restored the competitiveness of Indian cotton yarn players in global markets. Cotton yarn spreads have improved by 20-25% in April-May 2026 in FY26 and are expected to remain sustainable. Removal of import duty on cotton till October 31, 2026, is expected to support operating profitability of industry players including RML, despite ongoing geopolitical uncertainties.

Liquidity: Adequate

RML's liquidity is adequate, supported by financial flexibility derived from its sizeable equity investments in listed group companies, such as TRCL, RIL and RSL. RML reported positive cash flow from operations of ₹67 crore in FY26. However, working capital intensity remained high, reflected in elongated operating cycle of 204 days and current ratio below unity as on March 31, 2026. The average utilisation of its working capital limits remained high at ~94% for 12 months ended March 2026.

RML also benefits being part of Ramco group and has a track record of refinancing for meeting its debt repayment obligations. RML met its part of FY26 repayment obligations through additional corporate loans of ~₹95 crore. Liquidity is supported by unencumbered quoted investments of ~₹1,524 crore as on March 31, 2026 (total market value of ~₹3,299 crore). Around 40-45% of RML's total outstanding debt is secured by pledge or non-disposal undertaking on these investments. RML has board approval for disposal of TRCL shares to the extent of ₹120 crore, though this remains under consideration as on date. 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 in case of exigencies. RML has scheduled debt repayment obligations of ~₹126 crore for FY27. While cash accruals are expected to improve, they are likely to remain lower to meet debt servicing in the near-to-medium term, necessitating refinancing. RML is also eligible for Emergency Credit Line Guarantee Scheme limit of ~₹100 crore. Timely refinancing for debt repayments shall remain a key 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 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 1,40,160 spindles, 328 looms, 2,960 rotors, and 180 lakh metres of fabrics, and finished fabrics as on March 31, 2026, 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 ~15 MW.

Brief Financials (₹ crore)	FY25 (A)	FY26 (Ab)
Total operating income	905	944
PBILDT	81	124
PBIT *	24	71
Profit after tax (PAT)	(50)	(15)
Overall gearing (x)	2.60	2.77
Interest coverage (x)	0.88	1.34

A: Audited; Ab: Abridged; 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	392.10	CARE A; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	30-09-2030	334.65	CARE A; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	225.00	CARE A; Stable / CARE A2+
Fund-based/non-fund-based-LT/ST	-	-	-	-	567.00	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	392.10	CARE A; Stable	-	1)CARE A; Stable (08-Dec-25) 2)CARE A; Stable (27-May-25)	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	51.00	CARE A2+	-	1)CARE A2+ (08-Dec-25) 2)CARE A2+ (27-May-25)	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	225.00	CARE A; Stable / CARE A2+	-	1)CARE A; Stable / CARE A2+ (08-Dec-25) 2)CARE A; Stable / CARE A2+ (27-May-25)	-	-
4	Fund-based/non-fund-based-LT/ST	LT/ST	567.00	CARE A; Stable / CARE A2+	-	1)CARE A; Stable / CARE A2+ (08-Dec-25) 2)CARE A; Stable / CARE A2+ (27-May-25)	-	-
5	Fund-based - LT-Working capital Term Loan	LT	334.65	CARE A; Stable	-	1)CARE A; Stable (08-Dec-25) 2)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

Annexure-6: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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.

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

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About us:

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