March 25, 2025

Rajkrupa Textiles India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Fund Based–Working Capital	25.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Short Term-Non-Fund Based Limits–LC/BG^	(23.50)	(23.50)	[ICRA]A2; reaffirmed
Total	**25.00**	**25.00**	

**Instrument details are provided in Annexure I*

^sub limit of the overall fund-based working capital limit

Rationale

The ratings reaffirmation on the bank lines of Rajkrupa Textiles India Private Limited (RTIPL) considers an expected improvement in the operating and financial performance over the medium term, supported by the established track record and experience of the promoters in the textile industry. The ratings continue to draw comfort from the company's reputed clientele, and its established relationships. RTIPL's revenues have witnessed a steady growth in FY2022 and FY2023. However, due to decline in garment orders processed, its revenue decreased by 6.2% to Rs. 498.8 crore in FY2024. Nevertheless, in 9M FY2025, RTIPL's revenues grew by ~25% over FY2024 and is likely to remain healthy over the medium term. The ratings also positively factor in the above-average financial risk profile of the company, characterised by a comfortable capital structure and strong debt coverage metrics, as reflected by an interest coverage of 40.2 times and Total Debt to OPBIDTA of 0.1 times in FY2024.

The ratings, however, consider the vulnerability of RTIPL's profitability to fluctuations in the prices of key raw materials (yarn/ grey fabric), which are largely linked to cotton prices, and the intensely competitive textile industry, which limits the pricing flexibility to an extent. The ratings are further constrained by the high geographical and customer concentration risks with ~80% of its operating income derived from two countries (Sri Lanka and the UAE) and ~69% of its operating income received from the top five customers in FY2024. The company also remains susceptible to the changes in the export incentive structure and exposure of its profitability to fluctuations in the foreign currency exchange rate as a major portion of its total revenue is derived from the export market. However, the exchange rate fluctuation risk is partly mitigated through forward contracts.

The Stable outlook on the long-term rating reflects ICRA's expectation of a modest improvement in revenues and operating metrics of RTIPL over the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in textile industry – RTIPL's promotors have been involved in the textile industry for over two decades, which has enabled it to foster established relationships with its key customers and suppliers, resulting in repeat orders. This coupled with its strong integrated operation across the textile value chain, right from grey fabric manufacturing to garment manufacturing facilitates seamless operations.

Reputed and established customer profile with track record of repeat business – RTIPL manufactures and sells cotton fabrics and garments to reputed and established domestic and international players. Over the years, the company has maintained its established relationships with its customers, including RNA Resources Group Limited (Landmark Group) and Hela Clothing Private Limited. This, coupled with strong design capabilities and superior quality, facilitates continuous order flow.

Financial risk profile characterised by comfortable operating margin and capital structure, leading to strong debt coverage metrics – RTIPL has registered a steady growth in its revenues over the years, supported by continuous capacity additions and its healthy off-take, leading to consistent accretion to reserves. RTIPL's capital structure has remained healthy over the years, as reflected by a gearing of ~0.04 times as of March 31, 2024, due to its low dependence on external borrowings. RTIPL's dependence on bank borrowings remained low in FY2024 and the total debt of Rs. 4.3 crore as of March 31, 2024, represented unsecured loans taken from Directors and vehicle loans. In FY2024, RTIPL had repaid the unsecured term loan taken from the promoters for Rs. 30.3 crore and is likely to repay the balance term loan of Rs. 3.0 crore in FY2025. The total outside liabilities to the tangible net worth stood at 0.8 times in FY2024 and is expected to further improve with a reduction in external borrowings and with no major debt-funded capex likely to be incurred by the company in the near-to-medium term. The coverage indicators remained healthy with an interest coverage of ~40.2 times in FY2024.

Credit challenges

Exposed to high customer concentration risk – RTIPL remains exposed to high customer concentration risk, with the top five customers accounting for 65-70% of the company's operating income in the past three fiscals. Nevertheless, reputed and established customer profiles mitigate the counterparty credit risk to a significant extent.

Intense competition restricts pricing flexibility – The Indian textile industry is highly fragmented with presence of numerous organised and unorganised players, which restricts the company's bargaining power against large overseas clientele. However, comfort can be derived from the strong profile of RTIPL's customers and long association with these customers, along with an established track record of repeat orders.

Profitability susceptible to volatility in raw material prices and foreign currency exchange rates – Like other entities in the textile industry, RTIPL has limited control over the prices of its key inputs (cotton yarn /cotton grey fabric) and with raw material stocking requirements, its profitability remains exposed to volatility in raw material prices. Moreover, RTIPL derives the major portion of its revenue from export sales, denominated in the US dollar, which exposes its profitability to fluctuation in foreign currency exchange rate though the same is partially mitigated through forward contracts entered by the company.

Liquidity position: Adequate

The liquidity profile of RTIPL is expected to remain adequate, supported by improvement in its operating performance and undrawn working capital of Rs. 25.0 crore as on December 31, 2024. The average utilisation of the sanctioned working capital limit stood minimal at ~1% of its sanctioned limit of Rs. 25.0 crore during the last 12 months ending in December 2024. The company is likely to incur a capex of ~Rs. 4 crore in FY2025, funded through internal accruals. ICRA notes that the company does not have any major debt-funded capex plan and minimal repayment obligation, which are expected to keep RTIPL's liquidity adequate over the medium term.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of any significant increase in revenues and profitability of the company, strengthening its net worth, along with expansion in its geographical presence and customer base.

Negative factors – Pressure on the ratings could arise if there is any significant decline in revenues or any material deterioration in the margins. Any stretch in the working capital cycle or a sharp increase in the capital expenditure, impacting its liquidity, could lead to ratings downgrade. Specific credit metrics that could lead to ratings downgrade include TOL/TNW above 1.7 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Textile – Fabric] [Textiles - Apparels]
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial risk profile of the company.

About the company

Rajkrupa Textiles India Private Limited was incorporated on August 2, 2021. The business of Raj Exports, incorporated in 1998, was transferred to RTIPL on August 2, 2021. RTIPL is managed by Mr. Niraj Shah and Mr. Shirish Shah, who have long experience in the textile business. The product portfolio of the company includes knitted fabric, t-shirts, socks and hosiery products made from cotton knitted fabrics. The company's manufacturing facilities are in Ahmedabad (Gujarat) and Tirupur (Tamil Nadu). At present, its knitting (grey fabric manufacturing capacity), processing (dyeing and printing) and garment manufacturing capacities stand at ~900 MT/ month, ~750 MT/month and ~8 lakh units/month, respectively.

Key financial indicators (audited)

RTIPL Standalone	FY2023	FY2024	9M FY2025*
Operating income	531.6	498.8	468.8
PAT	27.0	21.6	-
OPBDIT/OI	10.0%	8.2%	6.9%
PAT/OI	5.1%	4.3%	-
Total outside liabilities/Tangible net worth (times)	1.2	0.8	-
Total debt/OPBDIT (times)	0.6	0.1	-
Interest coverage (times)	18.4	40.2	52.1

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)		Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based-Working Capital	Long term	25.00	**Mar 25, 2025**	[ICRA]BBB+ (Stable)	Mar 11, 2024	[ICRA]BBB+ (Stable)	Jan 03, 2023	[ICRA]BBB+ (Stable)	-	-
				-	-	-	Nov 16, 2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	-	-
				-	-	-	Jun 27, 2022	[ICRA]BBB (Stable); ISSUER NOT COOPERATING	-	-
Non-Fund Based Limits-LC/BG^	Short term	(23.50)	**Mar 25, 2025**	[ICRA]A2	Mar 11, 2024	[ICRA]A2	Jan 03, 2023	[ICRA]A2	-	-
Fund-based – Term loan	Long term	-		-	-	-	Nov 16, 2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	-	-
				-	-	-	Jun 27, 2022	[ICRA]BBB (Stable); ISSUER NOT COOPERATING	-	-
Working Capital (Proposed)	Long term	-		-	-	-	Nov 16, 2022	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	-	-
				-	-	-	Jun 27, 2022	[ICRA]BBB (Stable); ISSUER NOT COOPERATING	-	-

^ sub limit of the overall fund-based working capital limits

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based –Working Capital	Simple
Short Term-Non-Fund Based Limits-LC/BG	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**CC[1]/WCDL[2]/EPC/PCFC**	NA	NA	NA	25.00	[ICRA]BBB+ (Stable)
NA	**Letter of Credit/ Bank Guarantee ***	NA	NA	NA	(23.50)	[ICRA]A2

Source: Company

1 - Cash credit is the sublimit of the overall fund based working capital limit to the extent of Rs. 15 crore;

2 - WCDL is the sublimit of the overall fund based working capital limit to the extent of Rs. 13.5 crore;

** - sub limit of the overall fund-based working capital limits*

Annexure II: List of entities considered for consolidated analysis – Not applicable

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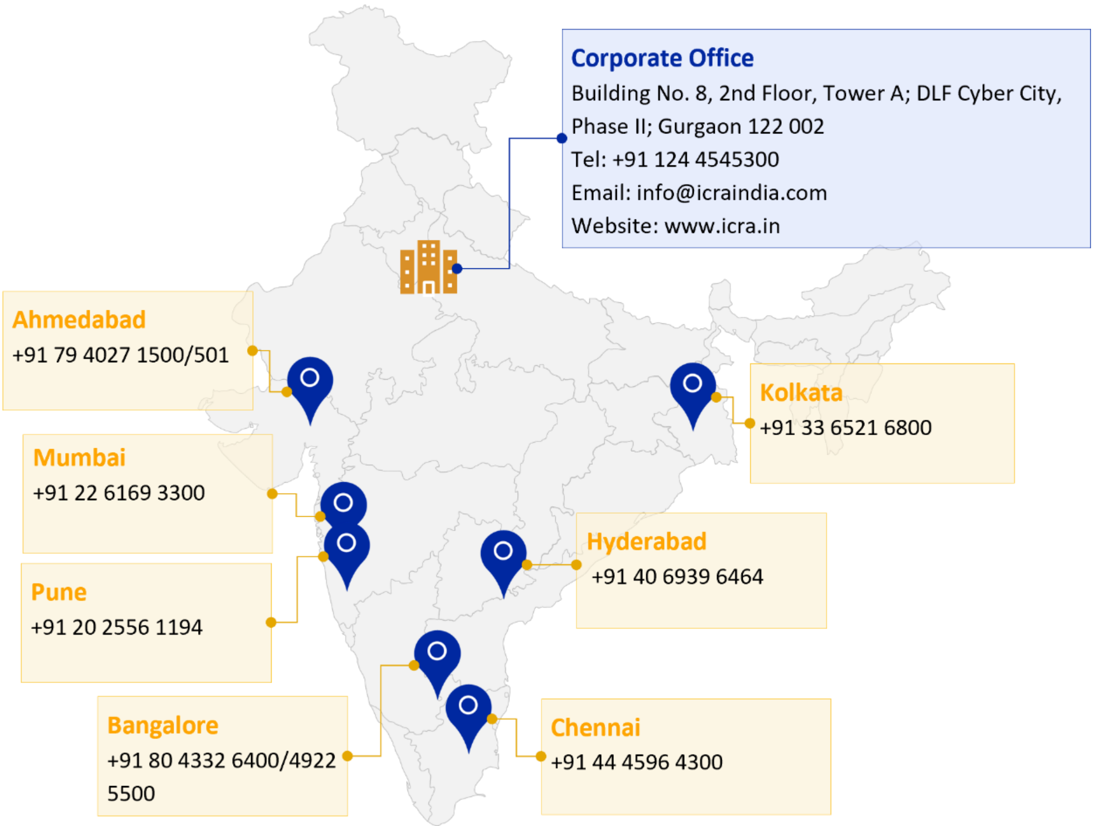

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