March 28, 2025

Yati Overseas Private Limited: Ratings downgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term Fund-based – Pre and Post Shipment Financing	75.00	75.00	[ICRA]A3+; downgraded from [ICRA]A2
Short-term Non-fund based – Loan Equivalent Risk	5.00	5.00	[ICRA]A3+; downgraded from [ICRA]A2
Total	**80.00**	**80.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has changed the analytical approach, wherein a consolidated view of three entities – Raj Overseas, Raj Woollen Industries and Yati Overseas Private Limited (YOPL) [together referred to as the Raj Group] is being undertaken against the earlier approach of a consolidated view of Raj Overseas and Yati Overseas, owing to better clarity on linkages between the Group entities. There are strong management, operational and financial linkages among the entities including cash flow fungibility through promoters and all the entities are in the same line of business.

The ratings downgrade factors in the moderation in revenue growth prospects for the Raj Group owing to muted demand of home textile products in the key export markets (US and Europe). Besides, the profitability of the Group has remained under pressure on account of under absorption of costs amid discounted sales prices. The revenue growth prospects of the Group remain sensitive to any material changes in custom duties as a result of the ongoing tariff debate and remains a monitorable.

The ratings continue to derive strength from the extensive experience of the promoters of the Raj Group, established track record of the Group in hand-tufted carpet manufacturing and home furnishing business and its healthy relationships with suppliers and customers. The Group continues to benefit from its backward integration into woollen spinning through other Group entities and the job worker base at sister concerns, which ensure easy availability of raw materials and labour. Besides, the Group has a reputed clientele.

The rating, however, remains constrained by the high working capital intensity of the Group. The rating also considers the high customer and geographical concentration risks with the top customers contributing more than 50% to the revenues and sales remaining skewed towards US. Further, the Group remains susceptible to the fluctuations in raw material prices and foreign exchange rates, which may exert pressure on its profitability and debt protection metrics.

Key rating drivers and their description

Credit strengths

Experienced management and long track record of operations – The promoter family members of the Raj Group have been manufacturing hand-tufted carpets since the pre-independence times. They have established relationships with customers and suppliers, which help in managing the business efficiently.

Healthy backward integration through Group entities – The Group continues to enjoy benefits of backward integration into woolen spinning through other Group entities and job-worker base at the sister concerns, which ensure easy availability of raw materials and labour.

Reputed customer profile – The top customers of the Group include reputed names like H M Hennes, Zara Home, Home Goods, Williams Sonoma, among others, which support business continuity and provide comfort. Also, the risks associated with delay or non-receipt of payments is mitigated to an extent.

Credit challenges

High customer and geographical concentration risks – The Group faces customer concentration risk with the top three customers contributing close to 50% to the revenues. Besides, its sales are highly skewed to US. Any adverse impact on demand from these markets would significantly affect the Group's business.

High working capital intensity – The Group's working capital intensity increased to 43% in FY2024, which can be attributed to high inventory and receivable period, mainly on account of a slowdown in the markets catered and the increase in competition.

Exposed to foreign currency fluctuation and volatility in raw material prices – As exports account for a significant portion of the turnover (close to 90%), the Group remains exposed to the foreign currency fluctuation risks to the extent of the unhedged exposure. Further, any major escalation in raw material prices may affect the profitability owing to intense competition and the inability of the Group to pass on the raw material price hike to its customers.

Risks associated with the Government regulations and policies – The Government of India (GoI) extends various incentives to encourage exporters. The Group enjoys export incentives in the form of duty drawbacks and licence sale, which support its operating profit margins. Thus, any change in incentives extended by the GoI to the exporters or in the regulatory policies of importing countries can adversely impact the Group's profitability and cash flows.

Risks inherent in partnership firm – Given Raj Overseas' and Raj Woollen Industries' constitution as a partnership firm, the credit profile of the Group remains exposed to specific risks like the possibility of withdrawal of capital by the partners as witnessed in the past few years and the risk of dissolution among others. Also, large advances to other Group companies out of the funds withdrawn from partnership entities and a corporate guarantee extended towards term loan of another Group entity remain key credit challenges.

Liquidity position: Adequate

The liquidity position of the Group is adequate, characterised by sufficient cash accruals, nil term loan repayments and limited capex over the medium term. The Group's reliance on working capital borrowing has remained high with an average utilisation of 98% during the last 12-month period ending in February 2025. While the capital withdrawals were in line with the past trend to meet the requirements of other businesses within the Group, the same are expected to moderate, going forward. The Group's ability to effectively manage its working capital cycle and timely infusion of funds by the promoters will be key determinants of its liquidity position. The Group's liquidity would remain exposed to the risk of capital withdrawal, given the partnership nature of the firms (Raj Overseas and Raj Woollen Industries).

Rating sensitivities

Positive factors – The ratings may be upgraded if the Group's scale of operations and profitability increase significantly on a sustained basis, leading to improved liquidity and debt coverage indicators.

Negative factors – The ratings may be downgraded if the Group witnesses a material decline in its scale of operations and profitability, resulting in a deterioration in debt coverage metrics and a stretch in the liquidity position on a sustained basis. Large capital withdrawals, adversely impacting the net worth and the liquidity of the Group on a sustained basis, could also result in ratings downgrade.

Analytical approach

Analytical approach	Comments

Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not Applicable
Consolidation/Standalone	While arriving at the ratings, ICRA has taken a consolidated view of the credit profiles of Raj Overseas, Raj Woollen Industries and Yati Overseas Private Limited (referred to as the Raj Group), as there are strong management, operational and financial linkages among the entities including cash flow fungibility through promoters. The details of consolidation are there in Annexure 2.

About the company (Yati Overseas Private Limited)

YOPL was incorporated in 2001 to cater to the demand of the buyers of home and textile items outside India. Mr. Ajay Nath and Mr. Sumeet Nath were the Directors at the time of incorporation. The company has one manufacturing unit in Panipat, Haryana. Its product profile includes carpets, dhurries, bath rugs, cushions, pillow covers, poufs, mats etc.

Post the family settlement in FY2021, businesses of Williams Sonoma Singapore Pte. Ltd. and Home Goods Inc. US were shifted to YOPL from Raj Overseas.

About the Group (Raj Overseas, Raj Woolen Industries and YOPL)

Raj Overseas is a flagship entity of the Raj Group, based in Panipat, Haryana. It was established in 1939 by Late Rajeshwar Nath and Late Vishwa Nath to manufacture woollen yarn and woollen carpet. At present, the operations are being looked after by the second and third generation family members. The promoters have five other Group concerns involved in spinning, weaving and printing activities. All the other Group entities, including Raj Woollen Industries, support the Raj Group in terms of job-work processing of tufted carpet and supplying of woollen and cotton yarn to Raj Overseas. YOPL mainly procures finished goods from Raj Overseas on arm's length basis for its export orders. The Raj Group primarily exports various kinds of woollen hand-tufted carpets, bathmats, durries, pillows, poufs and woven rugs. The customer base comprises various retail chains, home furnishing players and buying houses based in the US, Germany, Singapore, and other eastern European countries.

Key financial indicators (audited)

	Yati Overseas Private Limited (Standalone)		Raj Group (Consolidated)*	
	FY2023	FY2024	FY2023	FY2024
Operating income	263.6	265.2	608.4	513.2
PAT	1.4	0.9	12.4	6.5
OPBDIT/OI	0.8%	2.0%	5.5%	5.7%
PAT/OI	0.5%	0.3%	2.0%	1.3%
Total outside liabilities/Tangible net worth (times)	1.6	1.6	1.2	1.1
Total debt/OPBDIT (times)	34.3	13.9	5.1	6.1
Interest coverage (times)	0.6	1.2	3.7	2.6

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore *ICRA estimated*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

-	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	March 28,2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Pre and Post Shipment Financing	Short-term	75.00	**[ICRA]A3+**	29-Dec-23	[ICRA]A2	22-Sep-2022	[ICRA]A2+	-	-
Non-fund based – Loan Equivalent Risk	Short-term	5.00	**[ICRA]A3+**	29-Dec-23	[ICRA]A2	22-Sep-2022	[ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term fund-based – Pre and Post Shipment Financing	Simple
Short-term Non-fund based – Loan Equivalent Risk	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	Short-term Fund-based – Pre and Post Shipment Financing	NA	NA	NA	75.00	[ICRA]A3+
NA	Short-term Non-fund based – Loan Equivalent Risk	NA	NA	NA	5.00	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Entity Name	Ownership*	Consolidation Approach
Raj Overseas	100%	Full Consolidation
Yati Overseas Private Limited (YOPL)	100%	Full Consolidation
Raj Woollen Industries	100%	Full Consolidation

*Ownership held by same promoters in all the entities

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