August 08, 2025

Raj Industries: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	49.00	49.00	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund Based	100.00	100.00	[ICRA]A2+; reaffirmed
Total	**149.00**	**149.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation for the bank lines of Raj Industries (Raj) reflects the company's healthy revenue growth in FY2025, while maintaining a comfortable liquidity position and a stable credit risk profile, and ICRA's expectation of sustained performance over the near-to-medium term. Raj's operational profile continues to benefit from its long presence in the soap and detergent powder industry, a reputed client base — particularly in the business-to-business (B2B) segment — and steady demand for its own brands in the business-to-customer (B2C) segment, thereby strengthening its product portfolio. The firm recorded a steady volume growth of approximately 7% in FY2025 and anticipates a healthy performance in FY2026 in its soap and soap noodles segment. Additionally, the ratings factor in Raj's adequate liquidity position, supported by well-managed receivables and inventory levels, which result in moderate working capital requirements.

However, the ratings remain constrained by the firm's exposure to raw material price volatility, particularly in the B2C segment, due to intense competition and its limited ability to fully pass on the increased input costs to customers, which kept the profitability range bound. Nevertheless, the partners' extensive experience in the soap manufacturing industry and their established client relationships mitigate these risks to some extent. Being a partnership firm, Raj's capital structure remains vulnerable to capital withdrawals by the partners, as evident in recent years. As the firm's manufacturing capacity is operating at a high level, it is likely to incur capex towards enhancing its manufacturing capacities over the medium term. The impact of the quantum of the capex undertaken and the funding mix for the same on the firm's credit profile will be assessed accordingly.

Additionally, ICRA also notes that one of the retired partners has filed a corporate suit against the existing partners, seeking reinstatement of their shareholding in Raj. The matter is currently sub judice, and any significant development in this regard will remain a key monitorable.

The Stable outlook on the [ICRA] A- rating reflects ICRA's view that Raj will continue to benefit from a healthy share of revenue from its own brands, new client additions, and stable credit metrics.

Key rating drivers and their description

Credit strengths

Established track record of promoters in the soap manufacturing industry – The promoters have over five decades of experience in manufacturing soaps and soap noodles. This enabled the firm to establish steady relationships with reputed industry players. It has an integrated soap plant with palm fatty acid distillate (PFAD), fatty acid and soap manufacturing facilities.

Increasing volume from own brands and established relationships with reputed B2B customers – Raj enjoys established relationships with reputed players from the fast-moving consumer goods (FMCG) industry. It sells soap noodles to customers such as ITC Ltd., Reckitt Benckiser, Godrej and Patanjali, which ensures healthy revenue visibility. Additionally, Raj has been deriving substantial revenue from its own brands, which offer relatively higher margin. In FY2025, the firm achieved sales of approximately Rs. 622 crore on a provisional basis, reflecting a healthy growth over FY2024. It has recorded around 7% volume increase in FY2025, mainly driven by a healthy growth in the B2B segment.

Favourable working capital cycle – The firm has a short working capital cycle with the overall debtor of 30-45 days, mainly in the B2B segment. Raj maintains inventory for up to 45 days, including both raw materials and finished goods. The cycle remains supported by the long credit period availed from key suppliers. While fund-based requirements are low, Raj remains dependent on non-fund based limits to procure key raw materials.

Credit challenges

Exposure of margins to fluctuations in prices of raw materials – Raj's profitability remains exposed to fluctuations in prices of raw materials. The prices of key raw materials (PFAD/lauric acid and others) witnessed significant volatility during FY2023-FY2025 due to the conflict between Russia and Ukraine, a challenging geopolitical scenario, policies of exporting countries and changes in import duty. The rise in input costs may result in a decline in profitability, given Raj's limited ability to pass on the price increase, particularly in its B2C segment. Nevertheless, Raj reported a moderate but stable operating profit margin (OPM) in FY2024 and FY2025. ICRA expects the firm's credit metrics to remain comfortable in the current fiscal on account of stable profitability and range-bound leverage. Any significant weakening in the cost structure will continue to be a key rating monitorable.

High capital withdrawals by partners – Raj is a partnership concern, which makes it vulnerable to capital withdrawal by the partners, as witnessed in the past. The partners have withdrawn Rs. 28-30 crore each in FY2024 and FY2025, including Rs. 9 crore paid to one of the retiring partners in FY2024.

Exposure to intense competition in the soap manufacturing industry, especially in the retail segment – The soap manufacturing industry is intensely competitive with numerous national and local players in the field. This limits the pricing power of players and keeps revenue growth and margin expansion under check.

Liquidity position: Adequate

Raj's liquidity position is adequate on account of sufficient cushion in its working capital limits of approximately Rs. 47 crore as of May 2025. The firm had approximately Rs. 10 crore of free cash, cash equivalent and mutual funds investment as of March 2025. There are modest long-term debt repayments and no debt raising plans in the near term as well.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the firm demonstrates a significant improvement in its scale and operating profit margins, resulting in better coverage metrics and strengthening of the liquidity profile on a sustained basis.

Negative factors – ICRA could downgrade the ratings if the firm witnesses a decline in earnings, or if it undertakes any major debt-funded capex, or if its partners withdraw a substantial profit from the business, affecting the credit/liquidity profile on a sustained basis. Additionally, TOL/TNW of higher than 1.5 times, on a sustained basis, will also be a negative rating factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology FMCG
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of Raj

About the company

Raj, set up in 2007, manufactures and sells toilet soaps, laundry soaps, soap noodles, industrial monocarboxylic fatty acids and related products/by-products such as pitch, residue and crude glycerine. Its registered office is in Ludhiana (Punjab), while its manufacturing plant is in Nalagarh (Himachal Pradesh). The firm sells soap noodles to soap manufacturers such as ITC Ltd. and Reckitt Benckiser. It also sells toilet soaps under its own brands — Raj, Raj Super White and NJOY. It has also launched Saheli brand recently in the detergent category. The current manufacturing capacity for soap noodles and soap stands at 1,10,000 metric tonnes per annum.

Key financial indicators

Raj standalone	FY2024	FY2025*
Operating income	549.8	622.2
PAT	20.2	26.1
OPBDIT/OI	5.2%	5.2%
PAT/OI	3.7%	4.2%
Total outside liabilities/Tangible net worth (times)	0.9x	1.2x
Total debt/OPBDIT (times)	2.1x	1.1x
Interest coverage (times)	6.8x	6.6x

*Source: Company, ICRA Research; * Provisional numbers submitted by the management; 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

	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 8, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	49.00	**[ICRA]A- (Stable)**	Jun-07-24	[ICRA]A- (Stable)	Oct-09-23	[ICRA]A- (Stable)	Oct-13-22	[ICRA]A- (Negative)
								Feb-14-23	[ICRA]A- (Stable)
Letter of credit	Short term	95.00	**[ICRA]A2+**	Jun-07-24	[ICRA]A2+	Oct-09-23	[ICRA]A2+	Oct-13-22	[ICRA]A2+
								Feb-14-23	[ICRA]A2+
Loan equivalent risk	Short term	5.00	**[ICRA]A2+**	Jun-07-24	[ICRA]A2+	Oct-09-23	[ICRA]A2+	Oct-13-22	[ICRA]A2+
								Feb-14-23	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Cash credit	Simple

Short term – Letter of credit	Very simple
Short term – 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	**Cash credit**	NA	NA	NA	49.00	[ICRA]A- (Stable)
NA	**Letter of credit**	NA	NA	NA	95.00	[ICRA]A2+
NA	**Loan equivalent risk**	NA	NA	NA	5.00	[ICRA]A2+

Source: Company

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

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

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ABOUT ICRA LIMITED

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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