

February 26, 2026

## Gaurav International: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based-term loan	2.85	2.85	[ICRA]A- (Stable); reaffirmed
Short-term – Fund limits	50.00	50.00	[ICRA]A2+; reaffirmed
Short-term – Non-fund based	30.00	30.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>82.85</b>	<b>82.85</b>	

\*Instrument details are provided in Annexure-I

### Rationale

For arriving at the ratings, ICRA has taken a consolidated view of two entities of the Richaco Exports Group (referred to as the Group, hereafter), namely Richaco Exports Private Limited (REPL) and Gaurav International (GI), given the close business, financial and managerial linkages between them (refer to the Analytical Approach section for details).

The ratings reaffirmation on the bank lines of the Group considers its steady performance in FY2025 and an expected improvement in its operational and financial performance over the medium term, supported by its established track record in apparel exports, strong order book position and established relationships with its renowned overseas clientele, which has been providing repeat business. While its revenues grew by 18% (on a year-over-year (YoY) basis) to Rs. 1,904.9 crore in FY2025, its operating margins moderated by around 150 basis points (bps) to 9.6% due to an increase in employee costs and other overheads. During the current fiscal, the US government imposed reciprocal tariffs and additional ad valorem duty of 25% on apparel exports, prompting the Group to offer discounts to retain its US customers. Although the entity's margins could decline in FY2026 because of these customer discounts, advantages from a weaker rupee and ongoing cost-cutting measures are expected to partially counteract this effect. The recent reduction of US tariffs and signing of a free trade agreement with the UK is likely to provide further diversification opportunities for the company and support a healthy recovery in the Group's profitability from FY2027 onwards. Various cost-cutting initiatives implemented by the entity are expected to improve the entity's margins over the medium term. ICRA notes that the Group has transferred the business to REPL from GI, and certain fixed assets owned by GI are leased to REPL.

The ratings, however, remain constrained by the vulnerability of the Group's profitability to any adverse change in the foreign currency exchange rates, tariffs, export incentive structure and high geographical as well as client concentration risks. Further, its operations are working capital-intensive, driven by elongated inventory as well as the receivable turnover period. Besides client concentration risk, high receivables expose it to the counterparty credit risk. The ratings are also constrained by intense competition in the industry, which limits the pricing flexibility of industry participants. Despite some moderation in profitability in FY2025, its interest coverage ratio and debt service coverage ratio stood healthy at 4.3 times and 3.1 times, respectively, in FY2025, compared to 6.6 times and 4.0 times, respectively in FY2024. The dividend payout stood lower at Rs. 6.7 crore in FY2025 as against Rs. 2.7 crore in FY2024. ICRA also notes the risks inherent in a partnership firm in terms of any significant capital withdrawal that would impact the Group's liquidity position.

The Stable outlook on the company's long-term rating reflects ICRA's expectation of comfortable capital structure and debt coverage metrics, supported by steady earnings growth and working capital intensity. Further, the outlook underlines ICRA's anticipation that the entity's incremental capital expenditure (capex), if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters and established track record of the Group in garmenting industry** – Promoted by the Uppal family in 1977, the Group has an extensive track record of over four decades in the garment manufacturing and exporting industry.

**Healthy scale of operations and manufacturing base of the Group** – The Group has steadily increased its manufacturing

capacities and expanded its garment product portfolio, in terms of design and fabrics, over the years. Thus, the Group benefits from the economies of scale, given its sizeable manufacturing base. As of date, the Group has an annual manufacturing capacity of around 2.9 crore garments.

**Established relationships with renowned international brands** – The Group derives almost its entire revenue from the export market. Over the years, it has fostered relationships with leading global apparel brands such as Belk International, Abercrombie & Fitch and J Crew. The Group's client base has been providing repeat business on a sustained basis, reflecting favourably on its track record and competitive positioning in the sector.

**Healthy financial profile** – The Group has been able to scale up its operations at a healthy pace over the last four fiscals (FY2021-FY2025), reporting a revenue increase of 25.7% on a compound annual growth rate (CAGR) basis over the period. Although, due to a decline in profitability, the capitalisation metrics witnessed some moderation in FY2025, the same stood healthy with total debt/ tangible net worth of 1.0 times (1.2 times as on March 31, 2024) and total debt/ OPBDITA of 2.5 times (2.4 times as on March 31, 2024). Despite the moderation in profitability, the Group's coverage indicators remained comfortable with an interest cover of 4.3 times and debt service coverage ratio (DSCR) of 3.1 times as on March 31, 2025. ICRA expects it to register healthy revenue growth in FY2027, backed by the scale-up from the newly set up facilities.

### Credit challenges

**Working capital intensive nature of operations and seasonality inherent in operations** – The Group's operations are working capital intensive, its average gross working capital cycle (debtors + inventory holding) stood in the range of 140-150 days, over the last four fiscals. This is expected to remain at similar levels as the entity offers credit of 60-90 days to its customers and has a minimal inventory holding requirement. The sustenance of the normal receivable cycle and timely receipt of export incentives continue to be crucial for the Group to maintain a comfortable liquidity position. As it is involved in apparel manufacturing for summer and spring seasons, the seasonality is inherent in the Group's revenues, with a major part of its revenues reported in H2 of every financial year. This exposes the Group to earnings and cash flow volatility during the year.

**Vulnerable to volatile raw material prices, tariffs, demand trends in key export markets, exchange rate fluctuations and changes in export incentive structure** – Like other apparel exporters, the Group's profitability is susceptible to adverse movement in raw material prices and foreign exchange rates, given its export-driven revenue profile. Changes, including additional tariff imposition by certain countries and adverse exchange rate fluctuations, could affect the Group's revenues and profitability as well as its competitiveness against other exporting countries. However, partial hedging via forward contracts mitigates the risk to some extent. Recently, in FY2026, the entity had reduced its hedging proportion towards getting better realisation. However, according to the management, it would increase its hedging based on market conditions. This apart, the Group faces sales concentration risk as the US accounted for 86% of total sales in FY2025. This makes the company's performance vulnerable to any adverse demand trend or development that affects consumer spending and preferences in the US markets. Besides, the Group has a concentrated client base, with its top ten clients accounting for 71% of the Group's sales in FY2025. This exposes the Group to business risks on account of performance pressure on these clients. High client concentration exposes the Group to the counterparty credit risk. Further, like other apparel exporters, high dependence on export incentives exposes the Group's profitability and competitiveness in the international markets to any adverse change in the export incentive structure.

**Limited bargaining power due to significant competition in garment export business** – The garment export industry is highly fragmented and is characterised by intense competition among exporters from India and other low-cost countries such as Bangladesh, China, Vietnam and Indonesia. Intense competition keeps the pricing power in check, limiting the profitability and the ability of industry participants to pass on the increase in input costs of yarn and fabric.

### Liquidity position: Adequate

The Group's liquidity position is expected to remain adequate, backed by projected cash flow from operations of around Rs. 80 crore in FY2026, cash and liquid investments of Rs. 4.9 crore and unutilised lines of credit of Rs. 100.1 crore as on December 31, 2025. Average working capital utilisation over the last 12 months ending December 2025 stood at 67% against sanctioned working capital limits of Rs. 450 crore. Against these sources of cash, the entity is likely to incur capex of around Rs. 40 crore in FY2026, funded through term loan of Rs.15 crore and internal accruals, and the entity has repayment obligations of Rs. 8.0 crore in FY2026 and Rs. 10.1 crore in FY2027.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if there is a healthy and sustained increase in the Group's scale of operations and profits, together with an improvement in its liquidity profile and capital structure. A specific credit metric that may lead to

a ratings upgrade includes consolidated debt/ OPBDITA of less than 2.0 times on a sustained basis.

**Negative factors** – The ratings could be downgraded if there is a sustained pressure on the Group’s sales growth and profitability, or in case of weakening of its liquidity position. Specific credit metrics that could trigger a ratings downgrade include a consolidated interest cover (OPBDITA/ interest) of less than 4.0 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Textiles - Apparels</a> <a href="#">Corporate Credit Rating Methodology</a>
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has taken a consolidated view of two Group entities of the Richaco Exports Group, which are enlisted in Annexure II, given the close business, financial and managerial linkages between them.

### About the company

Gaurav International is a partnership firm involved in manufacturing and export of woven and knitted apparels as well as home furnishing items. The firm’s manufacturing facilities are in Delhi National Capital Region (NCR). The firm mainly exports to renowned brands/retailers in the US and Europe, such as Premium Brands and Blue Star Imports, among others. GI’s business is gradually being transferred to REPL. GI will continue to hold its assets, but the same will be leased to REPL.

### Key financial indicators (audited)

Consolidated	FY2024	FY2025	H1 FY2026*
Operating income (OI)	1,611.1	1,904.9	750.3
PAT	112.7	104.1	
OPBDIT/OI	11.1%	9.6%	6.8%
PAT/OI	7.0%	5.5%	
Total outside liabilities/Tangible net worth (times)	1.8	1.5	
Total debt/OPBDIT (times)	2.4	2.5	
Interest coverage (times)	6.6	4.3	

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; \*Provisional numbers; 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: Not applicable**

### Rating history for past three years

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Feb 26, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term loan</b>	Long term	2.85	[ICRA]A-(Stable)	Sep 19, 2025	[ICRA]A-(Stable)	Dec 20, 2024	[ICRA]A-(Stable)	Oct 27, 2023	[ICRA]A-(Stable)	Jul 07, 2022	[ICRA]A-(Stable)
<b>Fund-based limits</b>	Short term	50.00	[ICRA]A2+	Sep 19, 2025	[ICRA]A2+	Dec 20, 2024	[ICRA]A2+	Oct 27, 2023	[ICRA]A2+	Jul 07, 2022	[ICRA]A2+
<b>Non-fund based limits</b>	Short term	30.00	[ICRA]A2+	Sep 19, 2025	[ICRA]A2+	Dec 20, 2024	[ICRA]A2+	Oct 27, 2023	[ICRA]A2+	Jul 07, 2022	[ICRA]A2+

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Term loans	Simple
Short-term – Fund-based limits	Simple
Short-term – Non-fund based limits	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	Long-term – Term loans	FY2016	NA	FY2027	2.85	[ICRA]A- (Stable)
NA	Short-term – Fund-based limits	NA	NA	NA	50.00	[ICRA]A2+
NA	Short-term – Non-fund based limits	NA	NA	NA	30.00	[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

Company name	Ownership	Consolidation approach
Richaco Exports Private Limited	100.00%	Full Consolidation
Gaurav International	100.00%	Full Consolidation

Source: Company and ICRA Research

Note: ICRA has taken a consolidated view of the two Group entities of the Richaco Exports Group

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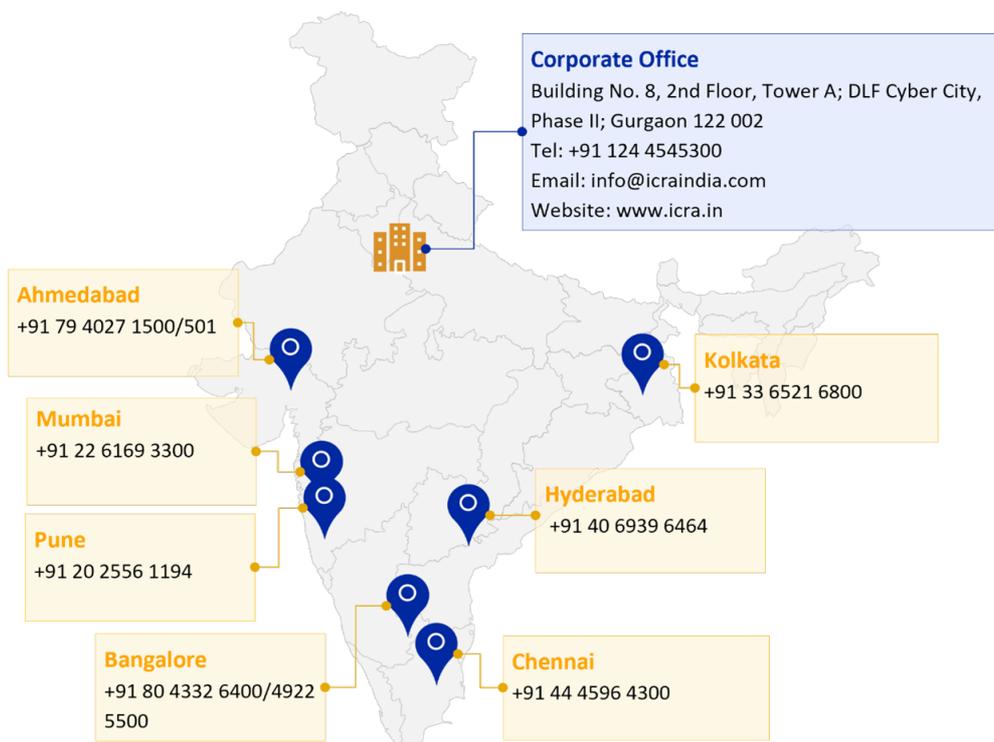


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