

June 04, 2025

Radhamani Textiles Private Limited: [ICRA]A (Stable)/[ICRA]A2+; Assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Term Loan	20.00	[ICRA]A (Stable); Assigned
Long-term Fund-based – CC/WCDL	175.00	[ICRA]A (Stable); Assigned
Short-term non-fund based – LC	5.00	[ICRA]A2+; Assigned
Short-term non-fund based – LC/BG (Sub-limit)	(35.00)	[ICRA]A2+; Assigned
Short-term Fund based – Bill Discounting (Sub-limit)	(50.00)	[ICRA]A2+; Assigned
Long-term Fund-based – CC/WCDL (Sub-limit)	(5.00)	[ICRA]A (Stable); Assigned
Total	200.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating on the bank lines of Radhamani Textiles Private Ltd (RTPL) considers the company's established brand presence in the domestic men's wear segment, the pan-India distribution network and comfortable financial profile. The business profile is characterized by an asset-light business model and a combination of in-house (10%) and outsourced manufacturing (90%), supporting its profitability. RTPL registered sharp revenue growth in the last four years reaching to Rs. 850 crores in FY2025 (Est). Improving economies of scale and higher revenue contribution from the higher-margin Exclusive Brand Outlets (EBO) channel and online channels support its operating margins although the need for advertising and sales promotions keeps the margins under check. The rating also considers the working capital-intensive nature of operations due to its large inventory holding requirements, exposing itself to any potential inventory write-off risks amid the rapidly changing fashion trends and consumer preferences. The rating also considers skewed revenues towards the men's segment and the vulnerability of revenue and earnings to adverse market conditions and intense competition in the highly fragmented apparel retail industry.

In FY2025, RTPL raised Rs. 200 crore from five Private Equity (PE) investors through the issuance of 0.0001% compulsorily convertible preference shares (CCPS). As per the contractual terms, the PE investors have the option to convert the CCPS into equity shares anytime, subject to an automatic conversion upon the consummation of an Initial Public Offering (IPO), or an automatic conversion upon the expiry of 20 years from the date of issuance of the CCPS. Even if the equity markets are not conducive at the point in time in future when the entity decides to come out with an IPO, ICRA expects that the obligation to do so will not fall upon the entity. Any action to the contrary shall be a rating sensitivity. As per the reported numbers (as per IGAAP), considering CCPS as equity capital, the entity's Total Debt/ OPBITDA, Interest Coverage, and Debt Service Coverage Ratio stood at 1.2x, 13.6x, and 5.8x, respectively as on December 31, 2024. Further, RTPL is expected to record a healthy business growth in the near to medium term, which would support the entity's credit metrics and liquidity profile, notwithstanding the large capital expenditure plans (around Rs. 130 Crore over the next three years) and incremental working capital requirements (on back of the proposed store additions).

The Stable outlook on the long-term rating reflects ICRA's opinion that RTPL's earnings and profitability will remain healthy supported by its established presence and brand recall. Further, the outlook underlines ICRA's expectation that the entity's incremental capex towards store additions 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

Established branded apparel company with diverse geographical and online presence – RTPL has an established presence in the domestic apparel market, offering a wide product portfolio across men’s wear, women’s wear, kids’ wear and accessories. While “Rare Rabbit” under men’s wear dominates RTPL’s revenue mix, contributing around 85% of its revenues, the entity also has “Rareism” and “Rare ones” brands catering to requirement of women’s and kids wear respectively. RTPL operates a retail network of 157 EBOs and 817 Multi Brand Outlet (MBO) channels, as of February 2025 and 42% of revenues are derived from EBO channels. The company plans to add around 45 retail stores per annum over the medium term, with focus on tier-I and tier-II cities. Next to EBO channels, the entity derives 33% of its revenues from online (both own and third-party platforms) and balance income is received through MBO and other channels.

Comfortable financial risk profile– RTPL witnessed a healthy CAGR revenue growth of 98% over last 3 years till FY2024 and its revenues grew by 33.5% on a YoY basis to Rs. 850 crores in FY2025 (Est). While the operating profitability reduced by 630 bps on a YoY basis to 12.3% in 9M FY2025, with an increase in employee costs and advertisement spends for the new kids brand, the same is expected to support its revenue growth over the medium term. As per the reported numbers (as per IGAAP), considering CCPS as equity capital, the entity’s Total Debt/ OPBITDA, Interest Coverage, and Debt Service Coverage Ratio stood at 1.2x, 13.6x, and 5.8x, respectively as on December 31, 2024, and is expected to remain healthy over the medium term.

Asset-light business model allows greater operating flexibility – RTPL operates with an asset-light business model wherein majority of its EBO outlets are located on rental premises and the entity derives 33% its revenues through online channels with it supporting its operating flexibility and keeping fixed costs under check.

Credit challenges

High working capital intensity - RTPL’s business is working capital intensive with sizeable inventory holding requirements for existing as well as new stores, reflected in the net working capital to the operating income (NWC/OI) ratio of 40.6% in December 2024. Apart from increased funding requirements as the entity grows, a high inventory exposes the entity to the risk of obsolescence, which could impact its margins. The inventory levels have remained elevated at 170-200 days over the past two years and are likely to remain high amid planned store additions. The entity’s ability to manage its inventory levels, while targeting growth, remains a key monitorable.

Exposure to intense competition, changing consumer preferences and evolving discretionary spending trends - The apparel retail market is highly competitive with the presence of various branded and unbranded players. Aggressive expansion by other domestic and foreign branded apparel retailers are likely to further increase industry competition, which could impact the company’s growth and profitability. RTPL also remains vulnerable to changing consumer preferences and fashion trends, which increase the risks of inventory markdowns. Further, any deterioration in the overall macro-economic environment, translating into subdued discretionary spending by consumers could impact RTPL’s earnings.

Skewed revenues towards the men’s segment - Revenues of RTPL remains skewed towards men’s segment with around 85% of the annual revenue received from the men’s segment. Nevertheless, the management is taking initiatives to diversify its product mix by opening new stores for women’s wear and kid’s wear along with full family stores.

Liquidity position: Adequate

RTPL’s liquidity remains adequate, characterised by free cash and liquid investment of around Rs. 15 crore as on March 31, 2025, apart from unutilised working capital limit of Rs. 119 crore. Average working capital utilization over the last 12 months stood at 39% of its sanctioned working capital limit of Rs. 184 crore. Besides, the entity plans to add EBO outlets at a capital

outlay of around Rs. 32 crore p.a., funded through internal accruals and PE investment. This apart, the entity has minimal repayment of Rs. 9.7 and 6.7 crores respectively in FY2026 and FY2027. In FY2025, RTPL issued CCPS and raised Rs. 200 crore towards funding working capital requirements, reducing bank borrowings and for opening of new EBO stores. RTPL's cash accruals are expected to meet any funding requirements for expansion and the resultant incremental working capital requirements, with the surplus cash reserves lending comfort.

Rating sensitivities

Positive factors – The ratings can be upgraded, if there is a healthy and sustained improvement in the scale of operations and profitability, while maintaining comfortable debt protection metrics and liquidity.

Negative factors – The rating could be downgraded if there is a sustained pressure on the company's operating performance or any large debt-funded capex or increase in working capital intensity, which would adversely impact the liquidity, and debt protection metrics. Specific credit metric that could trigger a rating downgrade includes reported interest cover remaining below 5.5 times on a sustained basis.

Analytical approach

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

About the company

Radhamani Textiles Private Limited (RTPL) was incorporated in 2008 and its commercial operations commenced in April 2011. Initially, RTPL was engaged in contract manufacturing until 2014, but subsequently in 2015, the entity started retailing its products under its own brand. RTPL is engaged in the manufacturing, branding, designing, and retailing of branded apparels and accessories for men, women and kids segments. The company retails its products under its brand 'Rare Rabbit' for Men, 'Rareism' for Women and 'Rare ones' for Kids. In FY2025, RTPL had received PE investment from 5 investors (both buyout of 14% of equity from existing promoters and investment in the form of CCPS) and the PE investors on a fully diluted basis hold 21% stake in the entity.

Key financial indicators (audited)

Standalone	FY2023	FY2024	9M FY2025*
Operating income	376.3	637.1	627.5
PAT	30.7	72.1	39.4
OPBDIT/OI	13.1%	18.6%	12.3%
PAT/OI	8.2%	11.3%	6.3%
Total outside liabilities/Tangible net worth (times)	1.7	1.6	0.8
Total debt/OPBDIT (times)	1.6	1.1	1.2
Interest coverage (times)	9.6	13.4	13.6

Source: Company, ICRA Research; *Provisional Numbers and relevant ratios annualised; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; The reported OPBDITA (as per IGAAP) considers lease rentals as an operating cost. For analytical purposes, for arriving at the ratings, ICRA had separately capitalised the lease expenses for a like-to-like comparison with other entities that report financials as per IndAS.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	June 04, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term Loan	Long term	20.00	[ICRA]A (Stable)	-	-	-	-	-	-
Working Capital Facilities (CC/WCDL)	Long term	175.00	[ICRA]A (Stable)	-	-	-	-	-	-
Non-Fund Based - LC	Short term	5.00	[ICRA]A2+	-	-	-	-	-	-
Non-Fund Based – LC/BG (Sub-limit)	Short term	(35.00)	[ICRA]A2+	-	-	-	-	-	-
Fund Based – Bill Discounting (Sub-limit)	Short term	(50.00)	[ICRA]A2+	-	-	-	-	-	-
Fund Based – CC/WCDL (Sub-limit)	Long term	(5.00)	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based – Term Loan	Simple
Long-term Fund-based – CC/WCDL	Simple
Short-term non-fund based – LC	Very Simple
Short-term non-fund based – LC/BG (Sub-limit)	Very Simple
Short-term Fund based – Bill Discounting (Sub-limit)	Simple
Long-term Fund-based – CC/WCDL (Sub-limit)	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 – Fund Based – Term Loan	FY2025	NA	FY2028	20.00	[ICRA]A (Stable)
NA	Long-term Fund-based – CC/WCDL	NA	NA	NA	175.00	[ICRA]A (Stable)
NA	Short-term non-fund based – LC	NA	NA	NA	5.00	[ICRA]A2+
NA	Short-term non-fund based – LC/BG (Sub-limit)	NA	NA	NA	(35.00)	[ICRA]A2+
NA	Short-term Fund based – Bill Discounting (Sub-limit)	NA	NA	NA	(50.00)	[ICRA]A2+
NA	Long-term Fund-based – CC/WCDL (Sub-limit)	NA	NA	NA	(5.00)	[ICRA]A (Stable)

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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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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