



**Press Release**  
**Ranga Weaves India Private Limited**  
**November 09, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	99.66	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	1.34	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	101.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 101.00 Cr on the bank facilities of Ranga Weaves India Private Limited (RWPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation:**

The reaffirmation of ratings considers the stable operating performance of Ranga Weaves India Private Limited (RWPL) during FY23, moderate financial risk profile and strong liquidity position. The company has registered revenue of Rs.258.78Cr during FY23 against revenue of Rs.264Cr of previous year. Since the installed capacities is being fully utilized, the company is expected to register revenue in the similar range for FY24. EBITDA margin has marginally improved to 10.30 percent in FY23 on account of low raw material price and expected to improve marginally in the medium term on account of power cost saving. The financial risk profile of the company is moderate with improving gearing and debt protection metrics. Going forward, the company's ability to sustain the operating margins in the similar level is key monitorable.

**About the Company**

RWPL is an Erode (Tamil Nadu) based company incorporated in 2001; It is a closely held private limited company, promoted by Mr. Lakshmanan Giri along with other family members. RWPL manufactures grey fabric and its manufacturing facility is located at Vairapalayam at Erode (Tamil Nadu). It has 192 airjet looms (weaving plant) with 60 lakh meters capacity (mts) per month. Further, RWPL has captive windmill units of 2 mega-watts (MW) at Kayathar Wind Park in Tuticorin (Tamil Nadu).

**Unsupported Rating**

None

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of RWPL to arrive at the rating.

## Key Rating Drivers

## Strengths

### Experience of promoters and established track record of operations

RWPL was incorporated in 2001 promoted by Mr. Lakshmanan Giri and his wife Mrs. G. Subhagiri. The company has a competent management supported by a team of well qualified and experienced second line personnel. The promoters have presence in the textile industry for nearly two decades. This has helped in building healthy relationships with its suppliers and customers to ensure a steady raw material supply and repeat business. RWPL's revenue from manufacturing has improved due to enhanced capacity utilisation from 82 looms to 192 looms during the last two years ending FY2023. Further, RWPL is expected to enjoy the benefit of proximity to the cotton growing area along with the promoters' experience and local presence is expected to aid in improving its business risk profile over the medium term.

### Stable operating performance:

RWPL has reported revenue of Rs.258.78Cr during FY23 which was declined by 2 percent against revenue of Rs.264.79Cr from previous year. The slight decline in revenue is on account of sluggish demand during the year. The EBITDA margins of the company have improved to 10.30 percent during FY23 from 9.76 percent of previous year. The improvement in EBITDA is due to low raw material prices during the year and are expected to further improve marginally to ~11 percent on account of improved realisations and savings from captive power over the near to medium term. The company has reported revenue of Rs.125Cr till September 2023 which is in line with the revenue of previous two years during the same period and expected to register revenue in the range of Rs.260Cr-265Cr for the year FY24 as the company is currently operating at its full capacity.

### Comfortable financial risk profile

RWPL's financial risk profile is comfortable, marked by moderate network, healthy capital structure and debt protection metrics. Company's net worth stood at Rs. 69.76 Cr as on March 31, 2023 as compared to Rs. 60.34 Cr as on March 31, 2022. Improvement in network is on account of accretion to reserves. RWPL's capital structure is healthy marked by improving gearing and total outside liabilities to total net worth (TOL/TNW) of 0.84 times and 1.07 times respectively as on March 31, 2023 as against 1.23 times and 1.36 times as on March 31, 2022. The comfortable profitability coupled with healthy gearing levels has resulted in comfortable debt protection metrics with interest coverage of 4.86 times and NCA/TD of 0.31 times for FY23 as against 3.92 times and 0.22 times, respectively, for FY22. Besides Debt service coverage ratio stood at 1.81 times as on March 31, 2023.

Acuité believes that the company's financial risk profile will remain comfortable on account of absence of debt funded capex plans over the medium term.

## Weaknesses

### Moderate working capital operations

RWPL's operations are moderate as reflected by its gross current asset (GCA) days of 109 days during FY23. The company maintains inventory of about 10-20 days and gives credit period of 60-80 days to its customers. Its creditor's days stood in the range of 10-20days during last 3 years ending FY23. Moderate working capital management and moderate accruals lead to moderate utilisation of its working capital limits at an average of 47 percent over the past 12 months ended September 2023. As the raw materials are seasonally available; however, manufacturing and sales operations are carried out throughout the year leading to moderate working capital operations throughout the period. Acuité believes that the working capital cycle will continue to remain in the similar over the medium term on account of business cycle of cotton industry.

### Susceptibility of the margins to volatility in raw material prices:

The RWPL's profitable margins are susceptible to fluctuations in the prices of raw materials, which affects sales realisations. Any adverse movement in the price of key raw materials, such as yarn, could have an adverse impact on the RWPL's margins, as it may not be able to pass on the price hike to its customers owing to stiff competition. Operating margins of cotton spinners are susceptible to changes in cotton prices, which are highly volatile and

commoditised product. Any abrupt change in cotton prices due to supply-demand scenario, carry-over stocks in the overseas market, and government regulations of changes in minimum support price (MSP) can lead to distortion in market prices and affect the profitability of players across the cotton value chain, including spinners.

### **Rating Sensitivities**

- Sustained improvement in operating margins.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.

### **All covenants**

None

### **Liquidity : Adequate**

RWPL's liquidity is adequate marked by comfortable cash accruals to its debt obligations. The company has reported cash accruals of Rs.19.97 Cr in FY23 against its repayment obligations of Rs.7.47 Cr during the same period. The company's accruals are expected in the range of Rs20.00-22.00 Cr for FY24-26 against its repayment obligations of Rs.8.5-8.6 Cr during the same period. The working capital operations are moderate as reflected by its Gross Current Asset (GCA) days of 106 in FY23, leading to moderate utilisation of its limits at about 47 per cent during the last 12 months' period ended September, 2023. The current ratio of the company stands at 2.23 times and cash and bank balances stood at Rs.4.11 Cr as on March 31, 2023 which provides comfort towards liquidity. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

### **Outlook: Stable**

Acuité believes that RWPL will maintain a 'Stable' outlook over the medium term from its promoter's entrepreneurial experience. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any decline in the company's revenues or profit margins, or any infusion of significant amount of debt towards capex leading to deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	258.78	264.79
PAT	Rs. Cr.	9.42	8.66
PAT Margin	(%)	3.64	3.27
Total Debt/Tangible Net Worth	Times	0.84	1.23
PBDIT/Interest	Times	4.86	3.92

### Status of non-cooperation with previous CRA (if applicable)

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](https://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Aug 2022	Working Capital Term Loan	Long Term	11.82	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.62	ACUITE A3+ (Reaffirmed)
	Working Capital Term Loan	Long Term	10.57	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	42.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	12.76	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.23	ACUITE BBB   Stable (Reaffirmed)
27 May 2021	Bank Guarantee	Short Term	1.34	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	28.60	ACUITE BBB   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.72	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	11.90	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	16.44	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	42.00	ACUITE BBB   Stable (Reaffirmed)
14 May 2021	Cash Credit	Long Term	42.00	ACUITE BBB   Stable (Reaffirmed)
	Bills Discounting	Short Term	3.50	ACUITE A3+ (Withdrawn)
	Term Loan	Long Term	28.60	ACUITE BBB   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	1.06	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.34	ACUITE A3+ (Reaffirmed)
18 Feb 2020	Bills Discounting	Short Term	3.50	ACUITE A3+ (Reaffirmed)
	Proposed Term Loan	Long Term	0.28	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	30.37	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.85	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	38.00	ACUITE BBB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.34	ACUITE A3+   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	10.49	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	8.34	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	14.25	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.57	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.01	ACUITE BBB   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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