



**Press Release**  
**RANGA WEAVES INDIA PRIVATE LIMITED**  
**February 06, 2025**  
**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
Total Outstanding Quantum (Rs. Cr)	101.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) 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 rating reaffirmation continues to derive strength from RWPL’s long track record of operations and extensive experience of its management in the weaving industry. Further, it continues to factor in the moderate financial risk profile, and its adequate liquidity position. However, the operating performance stagnated marked by stagnant scale of operations over the past two years and stable operating profit margins. The revenue stagnated due to RWPL operating at its full capacity. However, RWPL is undergoing a capex to enhance its installed capacity. The rating further remains constrained by moderate nature of working capital operations and susceptibility of margins to volatility in raw material prices. Going forward, scaling up the operations post the capex and maintaining the profitability and financial risk profile will be a key rating 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**

Not applicable

## **Analytical Approach**

Acuité 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 Mr. 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. 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.

### **Moderate financial risk profile**

RWPL's financial risk profile is moderate, marked by moderate network, capital structure and debt protection metrics. Company's net worth stood at Rs.78.22 Cr. as on March 31, 2024 as compared to Rs. 69.76 Cr. as on March 31, 2023. 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 0.81 times and 1.21 times respectively as on March 31, 2024 as against 0.84 times and 1.07 times as on March 31, 2023. The comfortable profitability coupled with healthy gearing levels has resulted in comfortable debt protection metrics with interest coverage of 4.67 times and Debt service reserve ratio (DSCR) of 1.61 times for FY2024 as against 4.86 times and 1.81 times, respectively, for FY2023. However, debt to EBITDA marginally deteriorated to 2.44 times as on March 31, 2024 due to increase in overall debt and marginal decline in profitability. Further, RWPL is incurring debt-funded capital expenditure to augment its installed capacity.

Going ahead, the ability of the company to maintain its financial risk profile at moderate levels in view of the debt funded capex will remain a key monitorable.

### **Weaknesses**

#### **Stagnant Operating Performance**

RWPL's revenues have stagnated and stood at Rs.256.86 Cr. in FY2024 which declined marginally from Rs.258.78 Cr. in FY2023 and Rs.264.79 Cr. in FY2022. The company has been operating at full capacity which resulted in stagnant revenues. The operating profit margin remained stable in FY2024 at 10.02 percent compared to 10.30 percent of FY2023, as the power savings offset the decline in realizations. Similarly, PAT margins also remained stable at 3.29 percent in FY2024 compared to 3.64 percent in FY2023. Additionally, the company has reported revenue of Rs.186.82 Cr. in 9MFY2025, which is consistent with the revenue for the same period in previous years. Incremental revenue is expected to begin accruing from FY2026 post implementation of the capex. Acuité believes RWPL's ability to improve its overall operating performance will remain a key monitorable.

#### **Moderately intensive nature of working capital operations**

RWPL's working capital operations are moderate as reflected by its gross current asset (GCA) days of 131 days during FY2024. The company maintains inventory of about 10-20 days and gives credit period of 60 days to its customers. However, the company has extended credit period till 90 days for few customers resulting in a stretch in receivables for FY2024. Simultaneously, the company has enjoyed an extension in credit period from its supplier during the year, resulting in creditor days of 42 days in FY2024 against 15 days in FY2023. However, the reliance on working capital limits stood moderate with average utilisation of 65 percent over the past 12 months ended November 2024. As the raw materials are seasonally available; however, manufacturing and sales operations are carried out throughout the year leading to higher intensity in working capital operations throughout the period. Acuité believes that the working capital cycle will continue to remain in the similar range 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 profit 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.
- Improvement in scale of operations.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.
- Timely implementation of capex.

### **Liquidity Position: Adequate**

RWPL's liquidity is adequate marked by comfortable cash accruals to its debt obligations. The company has

reported cash accruals of Rs.17.27 Cr. in FY2024 against its repayment obligations of Rs.8.67 Cr. during the same period. The company's accruals are expected to remain sufficient against repayment obligations over the medium term. The working capital operations are moderately intensive as reflected by its Gross Current Asset (GCA) days of 131 days in FY2024, leading to moderate utilisation of its limits at about 65 per cent during the last 12 months' period ended November 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of sufficient NCA's against the repayment obligations.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	256.86	258.78
PAT	Rs. Cr.	8.46	9.42
PAT Margin	(%)	3.29	3.64
Total Debt/Tangible Net Worth	Times	0.81	0.84
PBDIT/Interest	Times	4.67	4.86

### 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Nov 2023	Bank Guarantee/Letter of Guarantee	Short Term	1.34	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	42.00	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	10.49	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	19.57	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	14.25	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	8.34	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	5.01	ACUITE BBB   Stable (Reaffirmed)
11 Aug 2022	Bank Guarantee/Letter of Guarantee	Short Term	1.62	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	42.00	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	10.57	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	12.76	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	11.82	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	2.23	ACUITE BBB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.34	Simple	ACUITE A3+   Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	5.36	Simple	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2027	10.04	Simple	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2027	11.59	Simple	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2032	17.97	Simple	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2027	4.70	Simple	ACUITE BBB   Stable   Reaffirmed

## Contacts

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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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