Press Release
RAMA OVERSEAS LIMITED
March 21, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BBB+ | Stable | Reaffirmed	-
Bank Loan Ratings	47.50	-	ACUITE A2 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus**a**)**nd short-term rating of **'ACUITE A2' (read as ACUITE A two)**on the bank facilities of Rs. 50 Cr. of Rama Overseas Limited. The outlook remains **'Stable'.**

Rationale for Rating

The rating takes into cognizance the steady business risk profile of the group. The group's revenue increased to Rs.240.64 Cr. in FY24 from Rs.234.10 Cr. in FY23 on account of increased average realization during the period. Further, the group has achieved revenues of around Rs. 263 Cr. till February 2025. The rating also factors in the healthy financial risk profile with comfortable capital structure and strong debt protection metrices. The liquidity position of the group is adequate, which is reflected by sufficient net cash accruals against nil debt repayments and absence of debt funded capex plans. The rating also factors the group's integration in the form of tannery and leather unit which it has leased from Hsiang Li Tannery (HLT), which contributes fully to the finished leather requirements of ROL. The rating also draws comfort from the established operations augmented by experienced management of the group. However, these strengths are partially offset by intensive working capital cycle and intense competition in the industry. The rating is also constrained by the group's vulnerability to foreign exchange fluctuation risk as its revenue is mainly generated from export markets, although it is mitigated to an extent by hedging through forward contracts.

About the Company

Rama Overseas Limited (ROL), originating in Kolkata in 1985 as 'Rama International,' underwent a transformation in 1995 to specialize in the manufacturing and export of industrial gloves and workwear. Comprising two key divisions - leather items contributing 63% of revenue and industrial garments contributing 37% as per FY24. The company boasts annual production capacities of 1,20,00,000 pairs of industrial gloves, 20,00,000 units of industrial garments, and 50,000 units of leather items. Its market spans Australia, the US, New Zealand, South Africa, and Europe, facilitated by manufacturing units situated in Bantalla (Kolkata's leather hub) and Topsia. Currently, the company managed by Mr. Siddhartha Soni and Mr. Saurav Soni.

About the Group

Hsiang Li Tannery (HLT) previously operated its own tannery unit in Kolkata, which experienced minimal activity since April 2021 and was taken over by Mr. Siddharth Soni, partner in 2007. ROL leased this unit from HLT for its operations, on rental basis. All raw material procurement presently occurs through ROL and the tanning activity is taken in leased unit of HLT, with plans underway for merging both units.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has consolidated the financial and business risk profile of Rama Overseas Limited (ROL) and Hsiang Li Tannery (HSL). The group is referred as Rama Group. The same is on account of common management, same line of operations and significant operational and financial linkages.

Key Rating Drivers

Strengths
Experienced management and long track record of operation
The operations are managed by Mr. Siddhartha Soni and Mr. Saurav Soni, each of whom possesses over a decade of expertise in the industry. The group's enduring presence in the sector has fostered strong relationships with clients such as Wells Lamont (USA) and Protective Industrial Products (Hong Kong) for more than ten years. ROL leased unit from HLT for its operations, on rental basis. ROL will invest ~Rs. 1 Cr. for upgrading the machinery in the garment sector with a significant presence in Europe and Australia to boost their production. This enhancement is expected to increase annual production. Acuité anticipates that ROL will further enhance its business risk profile by group's extensive industry experience and robust client relationships.

Steady scale of operations
The operating income of group stood at Rs.240.64 Cr. in FY24 as against Rs.234.10 Cr. in FY23. The marginal increase was because the company was able to maintain its production levels. Furthermore, the group benefited from higher demand and better price realisations particularly for industrial gloves which command a premium and higher demand especially for products sold through reputable retailers like Walmart and Cosco, who value high quality products. The group has successfully expanded its business by entering new markets and acquiring new clients. The group is growing its retail business through dealers and offering a wider range of products. The group has achieved ~Rs.263 Cr. till February 2025. The order book stood at Rs.30 Cr. for March 2025 and another Rs.75 Cr. will be executed by Q1FY26.
The EBITDA margins stood at 12.44% in FY24 as against 11.80% in FY23. Presence of backward integration ensures easy availability of the tanned leather. The tannery unit of Hsiang Li Tannery is leased by ROL, (located in Kolkata) where finished leather is processed and used for further fabrication in ROL. Thus, close proximity of the unit ensures minimum logistics cost and easy availability of the better-quality leather. The PAT margin stood at 6.83% in FY24 as against 6.14% in FY23. Acuite believes the scale of operations will sustain at the healthy level over the medium term backed by growing demand for leather product world-wide.

Healthy financial risk profile
The financial risk profile of the group is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The tangible net worth of the group stood at Rs. 96.28 Cr. in FY24 as against Rs.79.03 Cr. as on March 31, 2023, due to accretion to reserves. The gearing of the group stood comfortable at 0.45 times as on March 31, 2024, as against 0.65 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.61 times as on March 31, 2024, as against 0.86 times as on March 31, 2023. The debt protection metrices of the group remain strong marked by Interest coverage ratio (ICR) of 12.38 times and debt service coverage ratio (DSCR) of 10.18 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 0.52 times in FY2024. Acuite believes that the financial risk profile will remain healthy over the medium term supported by healthy internal accrual generation. even though the company is expected to incur capex.

Weaknesses
Working capital intensive nature of operation
The working capital cycle of the group is intensive marked by high gross current asset (GCA) days of 156 days for FY2024 as compared to 160 days for FY2023. The GCA days are mainly on account high debtor days and inventory days. The inventory days stood at 67 days in FY2024 as compared to 87 days in FY2023. The company maintains inventory in line with received orders. The debtor days of the group stood at 72 days in FY24 as against 57 days in FY2023. Further, the GCA days of the group also emanates from the other current asset, which mainly consists of other receivables and recoveries. Against this, creditors stood at 26 days as on March 31, 2024, as against 27 days as on March 31, 2023. The Company has established favourable terms with suppliers when procurement is made from tannery with payment terms ranging from 30 to 45 days and this is significantly better than the industry average of 90 days. furthermore, the company has negotiated new terms with suppliers which include lead time of 60 to 90 days and payment is made in an average of 45 days on cash against document basis. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Rating Sensitivities

- Movement in operating income and profitability
- Capex plans
- Working capital cycle

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs. 22.57 Cr. as on March 31, 2024, as against nil long term debt obligations over the same period. The cash and bank balance stood at Rs. 8.80 Cr. for FY 2024. Further, the current ratio of the group stood comfortable at 1.97 times in FY2024. Moreover, the bank limit of the group has been ~85.14 percent utilized for the last six months ended January 2025. However, the working capital management of the group is intensive marked by high gross current asset (GCA) days of 156 days for FY2024 as compared to 160 days for FY2023. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals and absence of any major debt funded capex plans over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	240.64	234.10
PAT	Rs. Cr.	16.45	14.37
PAT Margin	(%)	6.83	6.14
Total Debt/Tangible Net Worth	Times	0.45	0.65
PBDIT/Interest	Times	12.38	10.11

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.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. 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Jan 2024	PC/PCFC	Short Term	25.00	ACUITE A2 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	22.50	ACUITE A2 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BBB+ | Stable (Reaffirmed)
07 Nov 2022	PC/PCFC	Short Term	12.50	ACUITE A2 (Reaffirmed)
	PC/PCFC	Short Term	12.50	ACUITE A2 (Assigned)
	FBN/FBP/FBD/PSFC/FBE	Short Term	15.00	ACUITE A2 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	7.50	ACUITE A2 (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	2.50	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
Axis Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.50	Simple	ACUITE A2 | Reaffirmed
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A2 | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE BBB+ | Stable | Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1.	Rama Overseas Limited
2.	Hsiang Li Tannery

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.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.