

## Rating Rationale

13 Mar 2026

### Rainbow Denim Ltd.

**Brickwork Ratings upgrades and assigns the long-term ratings at BWR BBB- /Stable for the bank loan facilities aggregating to Rs.174.07 Crs of Rainbow Denim Ltd.**

#### Particulars:

Facilities**	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present		Previous (21 Jul 2025)	Present
<b>Fund Based</b>					
Working Capital Term Loan-Outstanding	21.33	<b>19.67</b>	Long Term	BWR BB+ /Stable Upgrade	<b>BWR BBB- /Stable Upgrade</b>
Term Loan - Outstanding	19.40	<b>17.01</b>			
Cash Credit-Sanctioned	49.00	<b>51.00</b>		BWR BBB- /Stable Assignment	
Term Loan - Outstanding		<b>61.39</b>			
Cash Credit-Sanctioned		<b>25.00</b>			
<b>Sub Total</b>	<b>89.73</b>	<b>174.07</b>			
<b>Grand Total</b>	<b>89.73</b>	<b>174.07</b>	<b>(Rupees One Hundred Seventy Four Crores and Seven lakhs Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank Loan facilities is provided in Annexure-I

\*\*\*For analytical purposes, the entire sanctioned limits of ₹28.50 Cr from HDFC Bank and ₹24.50 Cr from Indian Bank have been considered, as these term loan facilities are yet to be fully disbursed.

#### RATING ACTION / OUTLOOK

Brickwork Ratings upgrades and assigns the long-term ratings at BWR BBB- /Stable for the bank loan facilities aggregating to Rs.174.07 Crs of Rainbow Denim Ltd.

The rating draws strength from the extensive experience of the promoters in the textile industry, consistent improvement in the scale of operations and profitability, a healthy financial risk profile, and an adequate liquidity profile. Financial flexibility is strong, supported by timely fund support by the promoters during expansion. However, the ratings remain constrained by the susceptibility of profitability to volatile cotton yarn prices and the entity's presence in a highly competitive and cyclical nature of denim industry.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR believes Rainbow Denim Ltd.'s business and financial risk profile will be maintained over the medium term. The outlook may be revised to Positive if a sustained increase in the scale of operations and higher than envisaged profitability result in an improved financial risk profile and

leading to stronger cash accruals and improved leverage. The outlook may be revised to Negative if lower than expected revenue or profitability, deterioration in leverage indicators, or any stress in servicing debt obligations..

For assigning the rating, BWR has relied upon the last 3 years of audited financials till FY25, unaudited 9MFY26 and projected financials for FY26 & FY27, and publicly available information and clarification provided by management.

## KEY RATING DRIVERS

### Credit Strengths:-

- **Experience of the promoters :**  
Rainbow Denim Limited(RDL) is promoted by Ramesh Kumar, Sunny Garg, and Ajay Garg, along with the other promoters who have decades of experience in the textile industry business. The company specialises in the manufacturing of denim, primarily focusing on the premium denim variety using rope-dyeing technology. Ramesh Garg is the promoter director of Aggarsain Spinners Limited. He became the chairman of the company and has since led the company to become a well-structured spinning company. Sunny Garg joined Aggarsain Spinners Limited in August 2010 as a Director. He became the Managing Director of the Company in December 2017. Further, he also became a director in the company, namely “M/s Fortune Multitech Pvt Ltd.” Ajay Garg joined the Aggarsain Spinners Limited in June 2017 as an additional director and later joined M”/s Fortune Multitech Pvt Ltd in the year 2017.
- **Improvement in Scale of Operations and Profitability :**  
The company reported TOI of Rs.164.31 Cr in FY25, which further increased to Rs.202.07 Cr in 9MFY26, supported by improved operational performance. Profitability also strengthened with EBITDA of Rs.21.66 Cr in FY25 and Rs.28.37 Cr in 9MFY26, with operating margins stabilising around 13–14%.

### Credit Risks:-

- **Competitive and cyclical nature of the denim industry :**  
The Indian textile industry is highly competitive and fragmented, with numerous organised and unorganised players. As a relatively small player in this sector, RDL is unable to leverage economies of scale. Additionally, the intense competition in this fragmented market limits its ability to fully pass on fluctuations in input costs to its customers. Also, the entities operating in this industry have to adhere to stringent pollution control norms set by the regulatory authorities; noncompliance of which shall adversely impact operations.
- **Volatility of raw materials price :**  
The profitability of denim fabric manufacturing units is impacted by fluctuations in cotton and cotton yarn prices, which are influenced by factors such as cultivation area, monsoon conditions, and more. In recent years, the cotton yarn production market has faced instability due to the volatility of cotton prices.

## ANALYTICAL APPROACH - Standalone

For arriving at its ratings, BWR has considered the standalone performance of the company. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### RATING SENSITIVITIES

Going forward, the ability of the company to improve its scale of operations, profitability margins, overall credit risk profile and efficiently manage its working capital requirement would be the key rating sensitivity.

#### Positive :

- Sustained growth in scale of operations with TOI increasing beyond Rs.400 Cr while maintaining stable profitability above 15%.
- DSCR consistently above 2.5x would reflect improved debt servicing capability, while a reduction in Total Debt/TNW below 1.5x would indicate lower leverage dependency.

#### Negative :

- Decline in revenue or profitability, resulting in operating margins falling below 10%.
- Weakening of coverage indicators, with DSCR falling below 1.5x or ISCR falling below 2.5x.

### LIQUIDITY INDICATORS - Adequate

The company's liquidity profile remains adequate, supported by moderate internal cash accruals. The net cash accrual for FY25 stood at about Rs.15.67 crore against CPLTD of around Rs.6.45 crore, indicating adequate coverage of scheduled term loan repayments. The company is expected to generate cash accruals of around Rs.28.00 crore in FY26, which is sufficient to cover the projected CPLTD of about Rs.11.54 crore, reflecting satisfactory debt servicing capability. The current ratio remained moderate at 1.03 times in FY25 and is projected to improve to about 1.07 times in FY26. Further comfort is derived from the Cash and Bank Balance of Rs.3.09, which provides financial flexibility. However, the liquidity profile is partly constrained by high reliance on working capital borrowings, as reflected in elevated short-term debt levels, indicating continued dependence on bank limits to support operations. The average working capital utilisation is around 70 - 80%.

### ABOUT THE ENTITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

The Rainbow Denim Limited ("RDL") was incorporated on 08-04-1999. The Registered Office of Rainbow Denim Limited is situated at Village Chaundheri, Post Office Dappar, Chandigarh-Ambala National Highway, Tehsil Derabsssi, District SAS Nagar, Mohali, Punjab - 140 506. The promoters, SH. Ramesh Kumar, SH. Sunny Garg, and SH. Ajay Garg has 30 years of knowledge and background of the textile industry

The company is engaged in the manufacturing of denim fabric. The company operates an integrated denim manufacturing facility located at Derabassi, Punjab, which undertakes various processes from cotton/yarn to finished denim fabric. The company has an installed denim production capacity of approximately 17.5 lakh meters per day and has been gradually improving its capacity utilization with stabilization of operations.

The company had a yarn capacity of 25 TPD, which was largely utilised for captive consumption in denim production. The company is currently expanding its yarn capacity by an additional 60 TPD, which is expected to be primarily utilised for sale in the domestic market, thereby creating an

additional revenue stream while also strengthening backward integration and improving operational efficiency.

**ESG Profile**

The company demonstrates an evolving ESG profile based on its environmental, social, and governance practices.

**Environmental:** Environmental risks are driven by high water usage, waste generation, and reliance on energy-intensive processes, making disclosures on water consumption, waste-management practices, renewable energy share, and emissions levels particularly important.

**Social:** Social factors hinge on adherence to labour laws, accident prevention frameworks, and human-capital development, with metrics such as workforce mix, safety performance, and training initiatives offering insights into operational resilience.

**Governance:** Governance assessment focuses on board independence, committee effectiveness, and robustness of compliance systems, supported by readily available disclosures on board structure, audit mechanisms, and risk-management practices.

**KEY FINANCIAL INDICATORS**

<b>Key Financial Indicators</b>	<b>Units</b>	<b>FY 23-24</b>	<b>FY 24 - 25</b>	<b>FY 25 - 26</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>	<b>(Unaudited - (9M FY26))</b>
Operating Revenue	Rs. Crs.	14.92	164.31	202.07
EBITDA	Rs. Crs.	3.49	19.33	28.37
PAT	Rs. Crs.	2.36	13.95	18.56
Tangible Net Worth	Rs. Crs.	23.63	54.21	Not Available
Total Debt /Tangible Net Worth	Times	2.98	1.83	Not Available
Current Ratio	Times	1.11	1.29	Not Available

**KEY COVENANTS OF THE FACILITY RATED**

The terms of sanction include standard covenants normally stipulated for such facilities.

**STATUS OF NON-COOPERATION WITH PREVIOUS CRA**

Not Applicable

**ANY OTHER INFORMATION**

Nil

**RATING HISTORY FOR LAST THREE YEARS (including withdrawal and suspended)**

Facilities		Current Rating (2026)		2025		2025	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Ratings	Date	Rating
Fund Based	LT	87.68	BWR BBB -/Stable Upgrade	21Jul2025	BWR BB+/Stable Upgrade	19Feb2025	BWR BB/Stable Assignment
Fund Based	LT	86.39	BWR BBB - /Stable Assignment				
<b>Grand Total</b>		<b>174.07</b>	<b>(Rupees One Hundred Seventy Four Crores and Seven lakhs Only)</b>				

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to financial ratios](#)
- [Manufacturing Company](#)

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**Rainbow Denim Ltd.**

**ANNEXURE I  
Details of Bank Loan Facilities rated by BWR**

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)	Complexity of the Instrument
1	Axis Bank Ltd.	Cash Credit -Sanctioned	25.00	-	25.00	Simple
2	Bank of Maharashtra	Cash Credit -Sanctioned	6.00	-	6.00	Simple
3	Bank of Maharashtra	Term loan - outstanding	12.50	-	12.50	Simple
4	HDFC Bank	Working Capital Term Loan-Outstanding	19.67	-	19.67	Simple
5	HDFC Bank	Term loan - outstanding	28.50	-	28.50	Simple
6	HDFC Bank	Cash Credit -Sanctioned	26.00	-	26.00	Simple
7	Indian Bank	Term loan - outstanding	24.50	-	24.50	Simple
8	State Bank of India (SBI)	Term loan - outstanding	8.39	-	8.39	Simple
9	Union Bank of India	Term loan - outstanding	4.51	-	4.51	Simple
10	Union Bank of India	Cash Credit -Sanctioned	19.00	-	19.00	Simple
<b>Total</b>			<b>174.07</b>	<b>-</b>	<b>174.07</b>	<b>Simple</b>
<b>(Rupees One Hundred Seventy Four Crores and Seven lakhs Only)</b>						

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**ANNEXURE II  
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS**

Instrument	Issue Date	Amount (Rs.Crs)	Coupon Rate (%)	Maturity Date	ISIN Particulars	Complexity of the Instrument
Nil	Nil	Nil	Nil	Nil	Nil	Nil

**ANNEXURE III  
List of entities consolidated  
NIL**

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Nil	Nil	Nil	Nil

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