

January 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	2.08	SMERA B+/Stable (Assigned)
OCC/BD[^]	5.50	SMERA B+/Stable (Assigned)
BULC	0.50	SMERA A4 (Assigned)

[^]Includes SLBD as a sublimit to the extent of Rs.3.50 crore

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Ramvijay Clothing Company Private Limited (RCCPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record in the business of manufacturing fabric. The ratings are also constrained by the company's small-scale operations, moderate debt protection metrics and working capital-intensive business. The ratings note that the company operates in an intensely competitive segment of the textile industry. However, the ratings are supported by the company's reputed clientele and experienced management. The ratings also draw comfort from the financial flexibility available to the company.

RCCPL, incorporated in 2012, is a Mumbai-based company engaged in manufacturing of trouser fabric. RCCPL started commercial production in December 2012. The company has small-scale operations marked by revenues of Rs.32.45 crore in FY2013-14 (refers to financial year, April 01 to March 31). RCCPL's moderate debt protection metrics are reflected in low net worth of Rs.2.03 crore as on March 31, 2014. The company's total debt of Rs.13.59 crore as on March 31, 2014 includes unsecured loans of Rs.5.50 crore. RCCPL's overall gearing (without considering subordinated unsecured loans of Rs.5.04 crore from directors and shareholders) is high at 4.34 times as on March 31, 2014. The company's operations are working capital-intensive, as evidenced by working capital cycle of 129 days in FY2013-14. RCCPL faces intense competition from several players in the textile industry.

RCCPL supplies fabric to various reputed brands such as Louis Philippe, Van Heusen, Allen Solly, Peter England, Park Avenue and Raymond. The company benefits from its experienced management. Mr. Shantilal Kothari, managing director of RCCPL, has around 25 years of experience in the textile industry. RCCPL has comfortable financial flexibility arising from moderate average utilisation (80.95 per cent) of bank limits during the six months ended October 2014. The company reported comfortable current ratio of 1.49 times as on March 31, 2014.

Rating sensitivity factors

- Efficient working capital management
- Lower-than-expected cash accruals
- Change in capital structure

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Outlook: Stable

SMERA believes RCCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company reports higher-than-expected profit margins while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected cash accruals, or in case of deterioration in the company's liquidity position on account of higher-than-expected working capital requirements or capital expenditure.

About the company

RCCPL, incorporated in 2012, is a Mumbai-based company engaged in manufacturing of trouser fabric. RCCPL was promoted by members of the Kothari family. The company was established to take over the running business of a partnership firm (named Ramvijay Textiles) engaged in marketing of trouser fabric manufactured on job work basis. RCCPL has installed weaving capacity of ~24 lakh meters per annum.

For FY2013-14, RCCPL reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.32.52 crore, as compared with PAT of Rs.0.23 crore on operating income of Rs.30.08 crore in FY2012-13. RCCPL's net worth stood at Rs.2.03 crore as on March 31, 2014, as compared with Rs.2.02 crore a year earlier.

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