

**February 11, 2014**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B+/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the abovementioned bank facility of Rodas Impex Private Limited (RIPL). The outlook is '**Stable**'. The rating is supported by the company's experienced management. The rating draws comfort from the location advantage available to the company. The rating is also supported by the company's moderate financial risk profile. However, the rating is constrained by the company's working capital-intensive business. The rating is also constrained by the company's moderate-scale operations in a highly competitive segment of the textile industry. The rating factors in risks related to the capex undertaken by the company.

RIPL, incorporated in 2001, is a Rajasthan-based company engaged in manufacturing of fabrics. RIPL benefits from its experienced management. Mr. Jugal Chamodi and Mr. Vinod Chamodi, directors of RIPL, have around three decades of experience in the textile industry. The company's total debt of Rs.8.90 crore (as on March 31, 2014) includes unsecured loans of Rs.0.68 crore; SMERA has considered these unsecured loans as quasi-equity. RIPL's moderate financial risk profile is marked by leverage of 1.53 times as on March 31, 2014 and interest coverage ratio of 1.51 times in FY2013-14 (refers to financial year, April 01 to March 31). The company has reported stable operating profit margins (in the range of 4-5 per cent) over the past five years.

RIPL's working capital cycle is stretched at 116 days in FY2013-14 on account of higher inventory holding. The company's average utilisation of working capital limit is high at ~97 per cent for the six months ended December 2014. RIPL has moderate-scale operations marked by operating income of Rs.37.40 crore. The company faces intense competition from several players in the textile industry.

RIPL is setting up a new unit for manufacturing surgical products such as non-woven masks, caps and hand gloves. The total cost of the unit is ~Rs.5.50 crore, which is funded through bank borrowings of Rs.4.00 crore and promoters' funds of Rs.1.50 crore. The new manufacturing unit is likely to be commissioned in April 2015. Any delay in project execution will result in cost overruns, which will adversely affect the profit margins of the company.

Outlook: Stable

SMERA believes RIPL 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 registers sustained improvement in profit margins, financial risk

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SMERA RATINGS LIMITED

Rodas Impex Private Limited (RIPL)

*Rating
Rationale*

profile and working capital management. The outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of deterioration in the company's capital structure on account of higher-than-expected debt-funded capex. Timely commissioning of the new manufacturing unit is a key rating sensitivity.

About the company

RIPL, incorporated in 2001, is a Rajasthan-based company engaged in manufacturing of fabrics. RIPL is promoted by Mr. Jugal Chamodi and Mr. Vinod Chamodi. The company has 42 looms, including 25 double-width looms.

For FY2013-14, RIPL reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.37.40 crore, as compared with PAT of Rs.0.10 crore on operating income of Rs.34.63 crore in FY2012-13. The company's net worth stood at Rs.4.70 crore as on March 31, 2014, as compared with Rs.4.53 crore a year earlier. RIPL reported profit before tax (PBT) of Rs.0.24 crore (provisional) on operating income of Rs.31.64 crore (provisional) for the period April 2014 to December 2014.

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