

July 31, 2015

Facility	Amount (Rs. Crore)	Rating
Bill Discounting	6.00*	SMERA A4+ (Assigned)

*Includes packing credit to the extent of Rs. 3.00 crore

SMERA has assigned a short-term rating of '**SMERA A4+**' (read as **SMERA A four**) to the Rs.6.00 crore bank facility of R. R. Knitting and Sons (RRK). (To arrive at the rating, SMERA has combined the business and financial risk profiles of RR Dyeing (RRD), Fashion Knits (FK) and R.R Knitting and Sons (RRK). The aforementioned entities are together referred to as the R.R Group. The consolidation is in view of the strong business and finance linkages between the entities. Moreover, the entities have common management.)

The rating is constrained by the group's moderate financial risk profile characterised by working capital intensive nature of operations and exposure to intense competition in the textile industry. However, the ratings are supported by the group's experienced management apart from a diversified and stable revenue profile.

The R.R Group is engaged in dyeing, printing of grey cloth and manufacturing of knitted garments. The moderate financial risk profile is reflected in the gearing of 1.60 times and moderate interest coverage of 1.54 times in FY2013-14. The group's operations are working capital-intensive which is evident from high inventory days of high inventory days of ~160 days in FY 2013-14 and 2012-13. Besides, the group faces intense competition in the textile industry which is fragmented and competitive with large number of organised as well as unorganized players.

Promoted by Mr. R. Ravi, Mr. R. Ramu and Mr. R. Raju who possess over two decades of experience in the textile industry, the group derives ~ 75 per cent of total revenue from FK. FK and RRK outsource around 50 per cent of dyeing work to R.R Dyeing. The group has registered increase in revenues at a compounded annual growth rate (CAGR) of 12 per cent from FY2012-13 to FY2014-15. The group registered operating income of Rs.107.67crore in FY2014-15 compared to Rs.101.35 crore in the previous year. The groups operations have improved from 8.90 percent in FY 2013-14 to 9.25 percent in FY 2014-15.

About the Group

The R.R Group includes three entities viz. R.R Dyeing, Fashion Knits and Sons and R.R Knitting and Sons. The group is engaged in dyeing, printing of grey cloth and manufacturing of knitted garments.

For FY2013-14, the R.R Group reported profit after tax (PAT) of Rs.2.03 crore on net operating income of Rs.107.67 crore, as compared with PAT of Rs.0.96 crore on operating income of

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Rs.101.35 crore in the previous financial year. The group's net worth stood at Rs.31.95 crore as on March 31, 2015, as compared with Rs.30.84 crore a year earlier.

About the Firm

RRK established in the year 2011 is a Tamil Nadu-based partnership firm engaged in the manufacture of knitted garments. The firm's operations include purchase of yarn and converting it into grey cloth, dyeing and stitching. The firm out source's its dyeing work to R.R Dyeing, group firm.

For FY2013–14, RRK reported profit after tax (PAT) of Rs.0.10 crore on net operating income of Rs.8.59 crore, as compared with PAT of Rs.0.10 crore on operating income of Rs.6.64 crore in the previous financial year. The firm's net worth stood at Rs.2.05 crore as on March 31, 2014, as compared with Rs.1.97 crore a year earlier.

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