Press Release

RR Knittings and Sons

27 February, 2017

Rating Reaffirmed

Total Instruments Rated*	Rs. 6.00 Cr
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 6.00 crore bank facilities of RR Knittings and Sons (RRKS).

RRKS, established in 2011 is a Tamil-Nadu based partnership concern engaged in the manufacturing of knitted garments.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced partners**
  RRKS, established in 2011 is a partnership firm engaged in the manufacturing of knitted garments. The partners, Ms.P. Pugalvani and Ms. R.P Rajee possess more than a decades experience in the textile industry.

- **Moderate scale of operations**
  The group revenue improved to Rs.126.86 cr in FY2015-16 from Rs.112.97 cr in FY2014-15. The group registered revenue of ~Rs.100.00 cr from April 2016 - December 2016. The order book position stood at Rs.45.00 cr as on January 2017.

- **Healthy profit margins**
  The operating margin improved to 9.37 percent in FY2015-16 from 9.10 percent in FY2014-15 on account of decline in raw material prices and foreign exchange gain of Rs.1.23 cr. Further, the profit after tax (PAT) also improved to 2.01 percent in FY2015-16 from 1.45 percent in FY2014-15.

Weaknesses

- **Moderate financial risk profile**
  The moderate financial risk profile is marked by net worth of Rs.35.17 cr and gearing (debt-equity ratio) of 1.69 times as on March 31 2016 compared to net worth of Rs.31.66 cr and gearing of 1.74 times as on March 31 2015. The interest coverage ratio (ICR) improved to 1.85 times in FY2015-16 from 1.52 times in FY2014-15.

- **Working capital intensive operations**
  The group's operations are working capital intensive marked by gross current asset (GCA) days of 209 in FY2015-16 (PY: 227 days).

- **Susceptibility of profit margins to fluctuations in raw material prices**
  The operating margins are susceptible to raw material price fluctuations and forex rates.

- **Highly competitive and fragmented industry**
  The group operates in a highly competitive and fragmented textile industry.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of R R Dyeing (RRD), R R Knitting & Sons (RRKS) and Fashion Knits (FS). The three partnership firms are referred to as the R R Group on account of similarity in their lines of business, financial fungibility and common management.

About the Group

The R R Group is a Tamil Nadu-based group engaged in the manufacturing of knitted garments and dyeing and printing of grey cloth. The group consists of three firms viz. R R Dyeing (RRD), R R Knitting & Sons (RRKS) and Fashion Knits (FK) and exports majorly to Europe.

About the Rated Entity - Key Financials

RRKS, established in 2011 is a Tamil-Nadu based partnership concern engaged in the manufacturing of knitted garments. The firm purchases yarn and converts the same into grey cloth. The firm outsources its dyeing work to R R Dyeing, a group firm. On consolidated basis, the R R Group reported profit after tax (PAT) of Rs.2.55 cr on operating income of Rs.126.86 cr as compared to PAT of Rs.1.63 cr on operating income of Rs.112.97 cr in the previous year. The net worth stood at Rs.35.17 cr as on March 31 2016 against Rs.31.66 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Consolidation Of Companies - https://www.smera.in/criteria-consolidation.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
31 July, 2015	Bill Discounting	Short Term	INR 6 CR	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+

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ABOUT SMERA

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