

Press Release

Ramchandra Dahyabhai Narrow Fab Private Limited (RDNFPL)

06 April, 2018



Rating Upgraded

| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs.6.00 Crore |
| Long Term Rating | SMERA BB+/Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long term rating at '**SMERA BB+**' (read as SMERA double B Plus) from '**SMERA BB**' (read as SMERA double B) on the Rs.6.00 crore bank facilities of Ramchandra Dahyabhai Narrow Fab Private Limited. The outlook is '**Stable**'.

The company was established in the year 1976 as a proprietorship concern by Mr. Ramchandra Dahyabhai Rumalwala of Surat, Gujarat. Later in the year 1997, it was converted to private limited company in the name of Ramchandra Dahyabhai Narrow Fab Private Limited (RDNFPL) with the induction of his son, Mr. Gautam Ramchandra Rumalwala in the company as a director. The company is engaged in manufacturing of narrow fabrics which majorly includes various types of elastics, tapes and lace. The manufacturing facility of the company is located in Surat, Gujarat.

The upgrade is in view of improvement in the financials along with improving margins and low financial risk profile. SMERA believes that going ahead, the company will sustain profitability margins over the medium term.

Key rating drivers

Strengths

- Extensive industry experience of the promoters**

The key promoter of the company i.e. Mr. Ramchandra Dahyabhai Rumalwala has more than four decades of experience in the narrow fabric industry. The entire day to day operations of the company are handled by Mr. Ramchandra Dahyabhai Rumalwala and his son Mr. Gautam. The key promoter of the company has gained significant insight about the industry and has developed healthy relations with its customers and suppliers from his long standing experience.

- Comfortable financial risk profile along with improving profit margins**

The financial risk profile of the company marked by modest net worth, comfortable gearing and healthy debt protection metrics. The networth levels of the company stood at Rs. 12.08 crores as on March 31, 2017 as compared to Rs. 10.80 crores in the previous year. The company has low gearing (debt-to-equity) at 0.40 times as on 31 March, 2017 against 0.35 times in the previous year. The interest coverage ratio stood at 2.65 times in FY2017. The debt service coverage ratio (DSCR) stood at 2.45 times in FY2017. The net cash accrual (NCA)/ Total debt (TD) stood at 0.31 times in FY17. The operating margins of RDNFPL improved to a comfortable 6.48 per cent in FY2017 as against 5.95 per cent in FY2016 mainly on account of reduction in raw material prices. The net profitability has improved to 1.20 per cent in FY2017 as against 0.98 per cent in the previous year.

SMERA Ratings Limited

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Weaknesses

- **Working capital intensive operations**

The operations of the company are working capital intensive marked by gross current asset (GCA) days of 95 in FY2017 as against 80 in FY2016. The operations of the company are working capital intensive majorly due to its credit extension to its customers 40 days in FY2017 as against 42 in FY2016 and its inventory requirement on account of product mix 37 days in FY2017 as against 36 days in FY2016.

- **Highly competitive and fragmented nature of industry**

The company is facing direct competitions from large organized and many unorganized player operating into similar line of business.

Analytical Approach

SMERA has considered standalone business and financial risk profile of the company to arrive at this rating.

Outlook- Stable

SMERA believes that company will continue to benefit over the medium term from its promoters extensive industry experience and comfortable financial profile. The rating outlook may be revised to 'Positive' in case of substantial and sustainable growth in the revenues or operating margins or if the company efficiently manages its working capital requirements. Conversely, the rating outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 42.51 | 42.54 | 47.61 |
| EBITDA | Rs. Cr. | 2.76 | 2.53 | 2.35 |
| PAT | Rs. Cr. | 0.51 | 0.42 | 0.45 |
| EBITDA Margin | (%) | 6.48 | 5.95 | 4.94 |
| PAT Margin | (%) | 1.20 | 0.98 | 0.95 |
| ROCE | (%) | 11.41 | 11.22 | 11.75 |
| Total Debt/Tangible Net Worth | Times | 0.40 | 0.35 | 0.60 |
| PBDIT/Interest | Times | 2.65 | 2.43 | 2.36 |
| Total Debt/PBDIT | Times | 1.75 | 1.49 | 2.50 |
| Gross Current Assets (Days) | Days | 95 | 80 | 97 |

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.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. Cr.) | Ratings/Outlook |
|-------------|-----------------------------------|-----------|------------------|-------------------------------|
| 27th Sep 17 | Cash Credit | Long Term | 6.00 | SMERA BB (Indicative) |
| 9th May 16 | Cash Credit | Long Term | 6.00 | SMERA BB/Stable (Assigned) |

*Annexure - Details of instruments rated

| Name of the Facilities | Date of Issuance | CouponRate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|-----------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | SMERA BB+ /Stable(Upgraded) |

Contacts

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
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ABOUT SMERA

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