

Press Release

Rayon Textile India Private Limited

August 09, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.10 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 8.10 crore bank facilities of Rayon Textile India Private Limited. The outlook is '**Stable**'.

The Madhya Pradesh-based Rayon Textile India Private Limited (RTIPL) was incorporated in 2009 by Mr. Shekhar Chand Patni, Mr. Sanjay Patni and Mr. Jugal Kishore Jain. The company is engaged in the manufacturing of cotton yarn and trading of cotton bales and seeds at Barwani. The installed capacity stands at 30,000 quintals.

Key Rating Drivers

Strengths

- **Experienced management**

RTIPL commenced operations in 2009. The management has more than a decade of experience in the industry.

- **Moderate financial risk profile**

RTIPL's financial risk profile is moderate marked by high gearing of 1.20 times as on 31 March, 2017 (Provisional) as against 1.13 times as on 31 March, 2016. The Interest coverage ratio has been comfortable at 3.88 times in FY2017 (Provisional) as against 2.58 times in FY2015-16. The tangible networth stood at Rs. 5.92 crore as on 31 March, 2017 (Provisional) as against Rs. 5.60 crore a year earlier.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high gross current asset(GCA) days of 124 days in FY2016-17 (Provisional) as against 71 days in FY2015-16. The working capital cycle deteriorated in FY2016-17 on account of increase in debtor days to 73 in FY2017 (Provisional) from 29 days in FY2016. The inventory holding period increased to 46 days in FY2017 (Provisional) from 26 days in FY2016.

- **Uneven revenue trend**

The revenue trend of the company has been uneven with increase in revenue in FY2015-16 to Rs. 45.55 crore from Rs. 42.03 crore in FY2014-15. Further, as per provisional figures, the company booked revenue of Rs.43.30 crore in FY2016-17.

- **Volatility in raw material prices**

Prices of raw cotton are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with suppliers as well as customers. Adverse movement of cotton prices further impacts the profitability of the company.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Rayon Textile India Private Limited to arrive at rating.

Outlook: Stable

SMERA believes that RTIPL will benefit over the medium term from its established presence in the spinning industry and experienced management. The outlook may be revised to Positive if the company's scale of operations increases substantially while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to Negative in case the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17(Provisional), RTIPL reported net profit of Rs.0.89 crore on operating income of Rs.43.30 crore, compared with profit after tax (PAT) of Rs.0.54 crore on operating income of Rs.45.55 crore in FY2015-16. The tangible networth stood at Rs. 6.51 crore as on 31 March, 2017 (Provisional) as against Rs.5.92 crore 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>
- 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
14-May-2016	Cash Credit	Long Term	INR 7	SMERA BB- / Stable
	Term Loan	Long Term	INR 1.1	SMERA BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.10	SMERA BB- / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Namita Palve Executive Analyst - Rating Operations Tel: 022-67141227 namita.palve@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*