

Press Release

Reliable Clothing Private Limited (RCPL)



17 February, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reviewed and reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 12.00 crore bank facilities of Reliable Clothing Private Limited (RCPL).

Reliable clothing Private Limited (RCPL), incorporated in the year 2009 took over the textile business of Reliable Exports (Proprietorship concern). The company is engaged in the manufacture and export of readymade garments. RCPL has its manufacturing unit located in Kanjurmarg, Mumbai and has a capacity of producing 5-6 lac units per annum. Actual capacity utilization is 80-90%.

Key rating drivers

Strengths

Experienced management and established track record of operations

RCPL was initially setup as a proprietorship concern under the name of Reliable Exports promoted by Late Mr. Sequeira in the year 1990, was later converted in to a private limited company. The current management is headed by Mr. Aaron D'lima and Mrs. Colette D'lima who possess more than two decades of experience in the textile industry. The company has established relationship with its suppliers and customers.

Weakness

Moderate financial risk profile

The gearing of the company improved to 1.66 times in FY2017 compared to that of 2.11 times in FY2016. Interest Coverage ratio stood at 2.12 times for FY2017 as against 2.00 times in the previous year. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.25 times as on 31 March 2017 as against 3.60 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times in FY2017.

Susceptible to foreign exchange fluctuation risk

As the company is engaged in 100% exports to Europe and has no hedging mechanism, the operations are susceptible to foreign exchange fluctuation risk.

Working capital intensive nature of operations

The Gross Current Asset (GCA) increased to 192 days in FY2017 compared to 117 days in FY2016. The GCA days are mainly on account of inventory of 122 days and creditor days of 135 in FY2017 which have increased from 43 days and 124 days respectively in FY2016. The company's packing credit limit is almost fully utilized. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Highly fragmented and competitive industry

RCPL operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players limits the profit margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RCPL to arrive at the rating.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.36	23.06	30.82
EBITDA	Rs. Cr.	1.91	2.29	2.46
PAT	Rs. Cr.	0.11	0.15	-0.62
EBITDA Margin	(%)	8.93	9.91	8.00
PAT Margin	(%)	0.54	0.67	-2.01
ROCE	(%)	10.32	10.73	19.54
Total Debt/Tangible Net Worth	Times	1.66	2.11	3.09
PBDIT/Interest	Times	2.12	2.00	1.33
Total Debt/PBDIT	Times	3.56	3.81	5.40
Gross Current Assets (Days)	Days	192	117	166

Any other information:

Not Applicable

Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Status of non-cooperation with previous CRA (if applicable):

Please refer to rating history.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Dec-2017	Packing Credit	Short Term	5.00	SMERA A4 (Issuer not co-operating)
	Bills Discounting	Short Term	3.00	SMERA A4 (Issuer not co-operating)
	Bills Discounting	Short Term	4.00	SMERA A4 (Issuer not co-operating)
27-Aug-2016	Packing Credit	Short Term	5.00	SMERA A4 (Assigned)
	Bills Discounting	Short Term	3.00	SMERA A4 (Assigned)
	Bills Discounting	Short Term	4.00	SMERA A4 (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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