

Press Release

Re-Source World Exim Private Limited

March 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 15.50 crore bank facilities of Re-Source World Exim Private Limited. The outlook is '**Stable**'.

Re-source World Exim Private Limited (RWEPL), incorporated in 2012, is a Maharashtra-based company promoted by Mrs. Sharmila Nadkarni. The company is engaged in the manufacturing of readymade garments at Bhiwandi and has installed capacity of 70000 units per month.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter and Managing Director, Mrs. Sharmila Nadkarni, has more than a decades experience in the garment industry.

- **Comfortable profit margin**

The company's EBITDA margins stood at 9.44 per cent in FY2016 and 10.42 percent in FY2015. The same is expected to grow in future since the company has booked revenue of Rs.23.5 cr for the period April - December 2017.

Weaknesses

- **High gearing and moderate coverage indicators**

The gearing stood at 2.06 times in FY2016 as against 1.71 times in FY2015. The interest coverage ratio stood at 1.66 times in FY2016 as against 2.56 times in the previous year.

- **Working capital intensive operations**

The working capital cycle deteriorated from 37 days in FY2015 to 223 days in FY2016 due to increase in inventory holding days from 149 in FY2015 to 183 days in FY2016. The debtors day stood at 188 in FY2016 as against 238 days in FY2015. The creditor days stood at 147 in FY2016 as against 349 in FY2015.

- **Highly competitive industry**

The textile industry in India is highly fragmented and dominated by a large number of organised and unorganised players leading to intense market competition.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company.

Outlook: Stable

SMERA believes that RWEPL will maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers

substantial growth in revenues and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.25 cr on operating income of Rs2.28 cr, as compared with PAT of Rs.0.77 cr on operating income of Rs.2.42 cr in FY2014-15. The net worth stood at Rs.7.36 cr as on March 31, 2016 against Rs.7.11 cr a year earlier. Out of the total revenue of Rs.24.11 cr, exports accounted for 70 percent (United States) in FY2015-16.

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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.28	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.70	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.52	SMERA BB- / Stable

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