

Press Release

27 March, 2017

Rishi Techtex Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.12.60 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.60 crore bank facilities of Rishi Techtex Limited. The outlook is '**Stable**'.

Rishi Techtex Limited (RTL), incorporated in 1985 is engaged in the manufacturing of PP/HD Woven fabrics, sacks and shadenets at Daman. The company caters to a wide range of industries including cement, fertilisers, chemicals, petrochemicals among others. The installed manufacturing capacity stands at 5000 MT per annum.

Key Rating Drivers

Strengths

- **Experienced management, established track record of operations**

RTL was incorporated in 1985. The company benefits from its established track record of operations and experienced management. The Directors, Mr. Abhishek Patel, Mr. Pranav Patel and Mr. Arvind have more than three decades of experience in the plastic industry.

- **Comfortable financial risk profile**

The gearing (debt-to-equity ratio) stood at 0.56 times as on 31 March, 2016 as compared to 0.83 times in the previous year. The net worth stood at Rs.16.68 cr in FY2015-16 as against Rs.14.20 crore in FY2014-15. The Interest coverage ratio was 3.59 times in FY2015-16 as compared to 2.88 times in FY2014-15. The Debt Service coverage ratio stood at 1.70 times in FY2015-16 as against 1.30 times in FY2014-15.

- **Modest scale of operations**

RTL has modest scale of operations with operating income of Rs.61.69 cr in FY2015-16 as compared to Rs.48.46 cr in FY2014-15. The growth in revenue has been due to increase in demand from end users. RTL has reported revenue of Rs. 48 cr from April 2016 to December 2016.

- **Reputed clientele**

RTL caters to a reputed clientbase including ACC, L&T, Grasim Industries Ltd., Gujarat Ambuja among others.

Weaknesses

- **Susceptible of profitability to volatility in raw material prices**

The profitability of RTL is susceptible to fluctuations in the prices of plastic granules which is a crude oil derivative. The operating margin declined to 7.64 per cent in FY2015-16 from 8.71 per cent in FY2014-15.

- **Working capital intensive operations**

RTL's operations are working capital intensive reflected in the gross current assets (GCA) of 152 days owing to high inventory days of 91 in FY2015-16. The bank limit utilisation is around 90 percent in the last six months ended December 2016.

- **Intense market competition**

RTL operates in a highly competitive and fragmented plastic industry with low entry barriers and easy availability of raw materials.

Analytical Approach

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

Outlook: Stable

SMERA believes that RTL will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the said line of business. The outlook may be revised to 'Positive' in case of better-than-expected scale of operations and profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of considerable decline in revenue and profitability or deterioration in the working capital management impacting liquidity.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.72 cr on operating income of Rs.61.69 cr, as compared with PAT of Rs.1.32 cr on operating income of Rs.48.46 cr in FY2014-15. The net worth stood at Rs.16.68 cr as on 31 March, 2016 against Rs.14.20 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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Aakash Madia Rating Analyst Tel: 022-67141213 aakash.madia@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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