

Press Release

Rajasthan Polytex Private Limited

April 28, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 7.00 crore bank facilities of Rajasthan Polytex Private Limited. The outlook is '**Stable**'.

Rajasthan Polytex Private Limited (RPPL) incorporated in 1988, is a Surat-based company promoted by Mr. Madan Periwal, Mrs. Ramadevi Periwal and Mr. Priyesh Kumar Periwal. RPPL is engaged in the manufacturing and trading of cotton fabric. The company has an installed capacity of 65 lakhs meter per annum.

Key Rating Drivers

Strengths

- **Experienced management**

RPPL is led by Directors, Mr. Madan Mohan Periwal, Mrs. Ramadevi Periwal and Mr. Priyesh Kumar Periwal who possess more than 20 years of experience in the said line of business.

- **Improving operating margins**

The operating margins are healthy and improved during the period under study. The EBIDTA margins stood at 17.25 percent in FY2015-16 as compared to 10.70 percent in FY2014-15 on account of addition of new machinery. This has led to improved operating efficiency and reduction in job work costs.

Weaknesses

- **Small scale of operations**

RPPL operates on a small scale with operating income at Rs.6.29 cr in FY2015-16 as compared to Rs.3.26 cr in FY2014-15. As per FY2016-17 Provisionals, the operating income stood at Rs.7.50 cr. The improvement in revenue is on account of increase in production capacity from 43 lakh meter per annum to 65 lakh meter per annum. RPPL also trades in grey fabrics which contributed around 5-10 percent to the total sales in FY2015-16.

- **Below average financial risk profile**

RPPL's financial risk profile is below average marked by low net worth of Rs.1.61 cr as on 31 March, 2016. The net worth is supported by unsecured loans from directors to the tune of Rs.0.57 cr. The company underwent debt funded capacity expansion and machinery upgradation in FY2015-16 and FY2016-17. Thus, the gearing stood at a high of 3.52 times as on 31 March, 2016. The interest coverage ratio stood at 1.85 times in FY2015-16 as against 1.05 times for FY2014-15. The DSCR stood at 0.95 times in FY2015-16 as compared to 1.12 times in FY2014-15. The company's ability to generate adequate operating cash flows vis-à-vis its debt service commitments shall be key credit monitorables.

- **Working capital intensive operations**

RPPL's operations are working capital intensive as reflected in the high gross current assets of 239 days in FY2015-16 on account of high inventory levels of 151 days. Further, the liquidity profile is stretched as it fully utilises its working capital limits.

• **Highly fragmented and competitive textile industry**

RPPL operates in a highly fragmented and competitive cotton textile industry with large number of players in the organised and unorganised segments.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Rajasthan Polytex Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that RPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case RPPL registers higher than expected growth in revenues while achieving sustained improvement in operating margins and capital structure and manages its working capital cycle efficiently. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the company registered net loss of Rs.0.85 cr on operating income of Rs.6.29 cr as against net loss of Rs.0.19 cr on operating income of Rs.3.26 cr in the previous year. The net worth stood at Rs.1.61 cr as on 31 March, 2016 as compared to Rs.1.26 cr as on 31 March, 2015.

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	1.60	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.77	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.63	SMERA B / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Ankit Gupta Analyst - Rating Operations Tel: 022-67141263 ankit.gupta@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

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