

Press Release
Rajasthan Polytex Private Limited
 June 15, 2018
Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.7.00 crore bank facilities of Rajasthan Polytex Private Limited (RPPL). 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

• **Established track record and experienced management**

RPPL manufactures and supplies cotton fabric since 1994. The company is led by the Directors, Mr. Madan Mohan Periwal, Mrs. Ramadevi Periwal and Mr. Priyesh Kumar Periwal who individually possess more than two decades of experience in the said line of business. This has helped the company to create established market position and long relations with clients and suppliers.

• **Improving operating revenue**

RPPL revenues are growing at compounded annual growth rate of 21.00 percent during FY2015 to FY2018. The operating revenue increased to Rs.7.13 crore in FY2018 (Provisional) from Rs.6.60 crore in FY2017 and Rs.6.29 crore in FY2016.

Weaknesses

• **Average financial risk profile**

The financial risk profile is marked by modest net worth of Rs.2.63 crore as on 31 March, 2018 (Provisional). The net worth is supported by unsecured loans from directors to the tune of Rs.1.28 crore. The gearing (debt-equity) stood high at 2.40 times as on 31 March, 2018 (Provisional) and 3.09 times as on 31 March, 2017. However, interest coverage ratio stood comfortable at 2.51 times in FY2018 (Provisional) as against 1.28 times for FY2017. The DSCR stood at 1.18 times in FY2018 (Provisional) and 0.81 times in FY2017. The company's ability to generate adequate operating cash flows vis-à-vis its debt service commitments shall be key rating factor.

• **Working capital intensive operations**

The operations are working capital intensive as reflected in the high gross current assets of 281 days in FY2018 (Provisional) and 276 days in FY2017 on account of high inventory levels of 201 days and 127 days. Further, the liquidity profile is stretched as it fully utilises the 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

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

Outlook: Stable

Acuité 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 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

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 7.13 | 6.60 | 6.29 |
| EBITDA | Rs. Cr. | 1.71 | 1.06 | 1.08 |
| PAT | Rs. Cr. | 0.01 | -0.37 | -0.86 |
| EBITDA Margin | (%) | 23.92 | 15.99 | 17.15 |
| PAT Margin | (%) | 0.17 | -5.59 | -13.63 |
| ROCE | (%) | 8.08 | 4.20 | -4.26 |
| Total Debt/Tangible Net Worth | Times | 2.40 | 3.09 | 3.52 |
| PBDIT/Interest | Times | 2.51 | 1.28 | 1.84 |
| Total Debt/PBDIT | Times | 3.57 | 6.50 | 5.17 |
| Gross Current Assets (Days) | Days | 281 | 276 | 281 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|--------------------|-----------|--------------------|-------------------|
| 28 -Apr-2017 | Cash Credit | Long Term | 1.60 | ACUITE B / Stable |
| | Term loans | Long Term | 4.77 | ACUITE B / Stable |
| | Proposed Facility | Long Term | 0.63 | ACUITE B / Stable |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|-------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE B / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 3.88 | ACUITE B / Stable |
| Proposed Facility | Not Applicable | Not Applicable | Not Applicable | 1.12 | ACUITE B / Stable |

Contacts

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About Acuité Ratings & Research:

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