

Press Release

Rughani Brothers (RB)

April 28, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.10.50 Cr
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs. 10.50 crore bank facilities of Rughani Brothers.

Rughani Brothers (RB) is a Mumbai-based partnership firm promoted by Mr. Ronak Rughani, Mr. Kantilal Rughani and Mr. Bhavya Rughani. RB is engaged in the manufacture and export of fabrics – shirtings and suitings to South Africa, Middle East and South America. The firm purchases grey fabric and outsources printing, dyeing and other processing activities to local vendors in Jaipur and Tarapur.

List of key rating drivers and their detailed description

Strengths:

- **Established track record of operations and experienced management**

Rughani Brothers is a Mumbai-based partnership firm established in 1977. The partners possess more than three decades of experience in the textile business.

- **Healthy profitability**

The firm has healthy profitability marked by operating margin of 14.74 percent and PAT (Profit after Tax) margin of 8.28 percent in FY2016 as against operating margin of 15.83 percent and PAT margin of 9.36 percent in FY2015.

- **Healthy financial risk profile**

The gearing (Debt-to equity) stood at 0.26 times as on 31 March, 2016 as against 0.51 times as on 31 March, 2015. The ICR (Interest Coverage Ratio) stood at 10.34 times in FY2016 as against 8.67 times in FY2015. The tangible net worth base has been comfortable with at Rs.14.23 cr as on 31 March, 2016.

Weaknesses:

- **Modest scale of operations**

The scale of operations is modest marked by operating income of Rs.41.65 cr in FY2016 as against Rs.57.60 cr in FY2015 and Rs.52.75 cr in FY2014. The firm achieved revenue of Rs.27.00 cr from April 2016 to February 2017.

- **Working capital intensive operations**

The operations are working capital intensive marked by GCA (Gross current assets) of 171 days

for FY2016 as against 125 days in FY2015. The GCA days are high mainly on account of debtor days of 100 and inventory days of 71 in FY2016. Further, the utilisation of working capital borrowing stood at Rs.0.50 cr for the last six months from April 2016 to February 2017.

• **Highly fragmented and competitive industry**

RB operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. Further, the firm derives its revenue through exports. Thus, any change in the government policies/ economic crisis can have an impact on the revenue generating capability.

• **Foreign exchange fluctuation risk**

RB generates its revenue from exports and hence is exposed to risks associated with currency fluctuations. However, the firm takes measures to hedge its currency fluctuation risk.

Analytical Approach

SMERA has taken a standalone view of the rated entity.

About the Rated Entity - Key Financials

The firm reported net profit of Rs.3.45 cr on operating income of Rs.41.65 cr in FY2015-16, as compared with net profit of Rs.5.39 cr on operating income of Rs.57.60 cr in FY2014-15. The net worth stood at Rs.14.23 cr as on March 31, 2016 as against Rs.13.38 cr a year earlier.

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

N.A

Any other information

N.A

Applicable Criteria:

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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ABOUT SMERA

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