

## Press Release

**Rughani Brothers**

June 28, 2018



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs. 10.50 Cr.
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on 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 manufacture and export of fabrics, such as, 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 (Rajasthan) and Tarapur (Maharashtra).

### Key Rating Drivers

#### 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 financial risk profile**

The gearing (Debt-to equity) stood at 0.10 times as on 31 March, 2017 as against 0.26 times as on 31 March, 2016. The ICR (Interest Coverage Ratio) stood at 10.40 times in FY2017 as against 10.34 times in FY2016. The tangible net worth base has been comfortable at Rs.14.99 crore as on 31 March, 2017.

#### Weaknesses

- **Modest scale of operations**

The scale of operations is modest marked by operating income of Rs.33.11 crore in FY2018 (Estimated) as against Rs.29.91 crore in FY2017 and Rs.41.65 crore in FY2016.

- **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

Acuité has considered the standalone and financial risk profile of Rughani Brothers to arrive at the rating.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.91	41.65	57.60
EBITDA	Rs. Cr.	3.13	6.14	9.11
PAT	Rs. Cr.	1.66	3.45	5.39
EBITDA Margin	(%)	10.47	14.74	15.83
PAT Margin	(%)	5.56	8.28	9.36
ROCE	(%)	17.83	32.85	89.31
Total Debt/Tangible Net Worth	Times	0.10	0.26	0.51
PBDIT/Interest	Times	10.40	10.34	8.67
Total Debt/PBDIT	Times	0.45	0.58	0.74
Gross Current Assets (Days)	Days	230	164	136

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

None

### Any other information

“Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups”.

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Apr-2017	PC/PCFC	Short Term	10.00	ACUITE A4+ (Assigned)
28-Apr-2017	Proposed Short Term Loan	Short Term	0.50	ACUITE A4+ (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)

## Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Ayushi Rathore Analyst - Rating Operations Tel: 022-67141336 <a href="mailto:ayushi.rathore@acuiteratings.in">ayushi.rathore@acuiteratings.in</a>	

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.