

Press Release

Rughani Brothers

June 28, 2018

Rating Reaffirmed



| | |
|-------------------------------------|---------------|
| Total Bank Facilities Rated* | Rs. 10.50 Cr. |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuite 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

Acuite 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

"Acuite 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

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|--|---|
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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.

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