

## Press Release

### Rughani Brothers

June 05, 2019

### Rating Reaffirmed



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

\* 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 (RB).

Rughani Brothers (RB) is a Mumbai - based partnership firm promoted by Mr. Kantilal Rughani, Mr. Ronak Rughani and Mr. Bhavya Rughani. The company is engaged in manufacture and export of fabrics for Suitings, Shirtings, Apparels and African Prints to South Africa, Middle East and South America. The Firm derives 100 percent of sales through exports. The firm purchases raw materials i.e. yarn and outsources on Job work basis for Weaving, Processing / Dyeing, Sticking for Garments and packing activities to local vendors in Tarapur, Bhiwand and Bhilad, Gujarat. RB also purchases raw materials i.e. Cotton greige fabric from South India i.e. Tirupur, Erode, Coimbatore, Karumathapatti, Palladam to name few and outsources on job work basis printing activities to local vendors in Jetpur, Ahmedabad (Gujarat).

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of RB to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Establish track record of operations and experienced partners**

Rughani Brothers (RB) is a Mumbai-based partnership firm established in 1977 and has successfully established its market for its products in international market. Mr. Kantilal Rughani possesses over four decades of experience and partners possess more than two decades of experience in the in textile industry. The extensive experience of partner's has helped firm in establishing longstanding relationships with its customers and suppliers.

- **Comfortable financial risk profile**

The financial risk profile of the firm stood comfortable marked by improved net worth of Rs. 19.33 crores as on 31 March 2019 (Provisional) as compared to Rs. 16.05 crores as on 31 March 2018. The gearing (debt equity) stood at 0.04 times as on 31 March 2019 (Provisional) as compared to 0.05 times as on 31 March 2018. The interest coverage ratio stood high at 34.67 times in FY2019 (Provisional) as compared to 11.78 times in FY2018. The Debt service coverage ratio (DSCR) stood at 23.16 times in FY2019 (Provisional) which has improved from 7.73 times in FY2018.

#### Weaknesses

- **Moderate scale of operation and working capital cycle**

The moderate scale of operation is marked by operating income of Rs. 44.10 crore in FY2019 (Provisional) and Rs. 36.26 crores in FY2018 and Rs. 29.94 crores in FY2017. Further, working capital cycle of the firm stood moderate marked by Gross Current Asset (GCA) days of 165 days in FY2019 (Provisional) as compared to 177 days in FY2018. The moderate GCA days is marked by increase in receivable days to 80 days in FY2019 (Provisional) from 66 days in FY2018. However working capital limit utilization stood at 12.34 percent utilised for last six month ending May 2019.

• **High competition and foreign exchange fluctuation risk**

The firm operates in a highly fragmented industry with limited entry barriers and marked by the presence of large number of player's which limits the bargaining power with customers. Further, the firm derives its revenue majorly through exports. Thus, any change in the government policies/ economic crisis can have an impact on the revenue generating capability. Thus exposes firm to risk associated with currency fluctuations. However, the firm takes measures to hedge its currency fluctuation risk.

**Liquidity profile**

Liquidity profile of the firm stood moderate marked by net cash accruals stood at Rs.4.30 crores in FY2019 (Provisional) against no long term obligations. The current ratio of the firm stood at 5.10 times in FY2019 (Provisional) as compared to 5.70 times in FY2018. The NCA/TD stood at 5.27 times in FY2019 (Provisional). The working capital cycle of the firm stood moderate marked by Gross Current Asset (GCA) days of 165 days in FY2019 (Provisional) as compared to 177 days in FY2018. However working capital limit utilization stood at 12.34 percent utilised for last six month ending May 2019.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	44.10	36.26	29.94
EBITDA	Rs. Cr.	6.73	3.24	3.15
PAT	Rs. Cr.	4.08	1.75	1.66
EBITDA Margin	(%)	15.26	8.94	10.53
PAT Margin	(%)	9.25	4.82	5.54
ROCE	(%)	35.59	17.83	69.81
Total Debt/Tangible Net Worth	Times	0.04	0.05	0.10
PBDIT/Interest	Times	34.67	11.78	10.38
Total Debt/PBDIT	Times	0.12	0.23	0.45
Gross Current Assets (Days)	Days	165	177	230

**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 / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-June-2018	PC/PCFC	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Facility	Short Term	0.50	ACUITE A4+ (Reaffirmed)
28-Apr-2017	PC/PCFC	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Short Term Facility	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. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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