

Press Release

Rughani Brothers

November 04, 2020



Rating Withdrawn

| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 10.50 crore |
| Short Term Rating | ACUITE A4+ (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 10.50 crore bank facilities of Rughani Brothers (RB).

The rating withdrawal is in accordance with the Acuité's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the firm and NOC from the banker.

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 the 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, Stitching for Garments and packing activities to local vendors in Tarapur, Bhiwandi 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

Acuité has considered the standalone business and financial risk profiles of Rughani Brothers (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 the international market. Mr. Kantilal Rughani possesses over four decades of experience and partners possess more than two decades of experience in the textile industry. The extensive experience of partners has helped firm in establishing longstanding relationships with its customers and suppliers.

- **Comfortable financial risk profile**

The financial risk profile is marked by net worth of Rs. 22.13 crore as on 31 March, 2020 (Provisional) as compared to Rs. 19.75 crore 31 March, 2019. The gearing (debt to equity ratio) stood low at 0.06 times as on 31 March 2020 (Provisional) as against 0.04 times as on 31 March 2019. The Interest Coverage Ratio (ICR) stood high at 21.97 times in FY2020 (Provisional) as against 36.86 times in FY2019. The Debt Service Coverage Ratio (DSCR) stood high at 14.68 times in FY2020 (Provisional) as against 25.40 times in FY2019.

Weaknesses

• Moderate scale of operation and working capital cycle

The firm has moderately working capital intensive cycle marked by gross current asset (GCA) days of 189 days for FY2020 (Provisional) which has increased from 167 days for FY2019. The increase in GCA days was marked by an increase in receivables days to 95 days for FY2020 (Provisional) from 80 days for FY2019. Inventory holding days stood at 59 days for FY2020 (Provisional) as against 64 days for FY2019. The firm relies lower on bank limit and utilization stood low in past six months ending October, 2020.

• 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 a 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 the firm to risk associated with currency fluctuations. However, the firm takes measures to hedge its currency fluctuation risk.

• Partnership constitution

RB, being a partnership concern, is exposed to the inherent risk of capital withdrawal, which will have an impact on the credit profile of the firm. However, there has been no such instances of withdrawal in the past.

Liquidity Position: Adequate

The Current Ratio of the firm stood high at 8.22 times in FY2020 (Provisional) as compared to 5.17 times in FY2019. The working capital bank limit utilisation stood NIL for last six month ending September 2020. The NCA/TD Ratio stood at 2.88 for FY2020 (Provisional). The unencumbered cash and bank balance stood at Rs. 2.46 crores as on 31 March 2020 (Provisional).

Rating Sensitivities

- Sustaining existing business and financial risk profile
- Efficient management of working capital cycle and maintaining liquidity profile

Outlook:

Not applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 37.54 | 44.42 |
| PAT | Rs. Cr. | 3.43 | 4.51 |
| PAT Margin | (%) | 9.14 | 10.15 |
| Total Debt/Tangible Net Worth | Times | 0.06 | 0.04 |
| PBDIT/Interest | Times | 21.97 | 36.86 |

Note: Above financials are consolidated.

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

None

Any other information

Not Applicable

Any Material Covenants

Not Any

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|---------------------------------|------------|--------------------|-------------------------|
| 05-June-2019 | PC/PCFC | Short Term | 10.00 | ACUITE A4+ (Reaffirmed) |
| | Proposed Short Term Facility | Short Term | 0.50 | ACUITE A4+ (Reaffirmed) |
| 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+ (Withdrawn) |
| Proposed Short Term Facility | November 2019 | Not Applicable | October 2029 | 0.50 | ACUITE A4+ (Withdrawn) |

Contacts

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About Acuité Ratings & Research:

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