

Press Release

Ridham Texport Private Limited (RTPL)

23 November, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.95 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** on the Rs. 6.95 crore bank facilities of Ridham Texport Private Limited (RTPL). The outlook is **'Stable'**.

The Mumbai-based Ridham Texport Private Limited (RTPL) was incorporated in 1997 by Mr. Chetan Bafna and Mrs. Reshma Bafna. The company is engaged in the manufacturing of cotton and linen fabrics at Boisar (Thane) since 1997 and has total capacity of 150,000 meters per month.

Key rating drivers

Strengths

Experienced management

The company was incorporated in 1997 by Mr. Chetan Bafna and Mrs. Reshma Bafna who possess 27 years of experience in the textile industry. The promoters are well supported by an experienced second line of management.

Weaknesses

Below average financial risk profile

RTPL has below average financial risk profile marked by tangible net worth of Rs. 6.34 crore as on 31 March, 2017 (Provisional) as against Rs. 6.09 crore as on 31 March, 2016. The unsecured loan of Rs. 1.90 crore as on 31st March, 2017 (Provisional) is considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing stood at 2.09 times as on 31 March, 2017 (Provisional) as against 2.01 times in the previous year. The debt mainly consists of long term debt of Rs. 6.63 crore, working capital limit of Rs. 4.41 crore as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 1.71 times for FY2017 (Provisional) as against 1.84 times in FY2016. The Total outside Liabilities/Tangible net worth (TOL/TNW) stood at 2.21 times as on 31 March, 2017 (Provisional) as against 2.31 times as on 31 March, 2016. The Net cash accruals/total debt (NCA/TD) stood at 0.06 times as on 31st March, 2017 (Provisional) as against 0.10 times in the previous year. SMERA expects the financial risk profile to improve marginally in the near to medium term in the absence of debt funded capex plans.

Small scale of operations marked by uneven revenue trend

While operations commenced in 1997, the scale is still small marked by operating income of Rs. 11.58 crore in FY2017 (Provisional), Rs. 9.33 crore in FY2016 and Rs. 14.39 crore in FY2015. The decrease in revenues in FY2016 was mainly due to fewer orders from large customers. For the period April 2017 to September 2017, the company booked revenue of Rs. 3.15 crore. SMERA expects the revenue growth to be moderate in the near to medium term on account of increase in the number of orders for linen fabric.

Working capital intensive operations

The operations of RTPL are working capital intensive marked by high GCA of 365 days in FY2017 (Provisional) compared to 421 days in FY2016. The GCA days are mainly dominated by inventory days of 300 days in FY2017 (Provisional) and 284 days in FY2016. The average cash credit utilisation for the period April 2017 to September 2017 was ~80 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

RTPL is exposed to intense competition from several small as well as large fabric manufacturers affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Ridham Texport Private Limited (RTPL) to arrive at the rating.

Outlook – Stable

SMERA believes that RTPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while sustaining improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity – Key Financials

The company reported profit after tax (PAT) of Rs. 0.25 crore on net sales of Rs. 11.58 crore in FY2017 (Provisional) as against PAT of Rs. 0.13 crore on net sales of Rs. 9.33 crore in FY2016. The net worth stood at Rs. 6.34 crore as on 31 March, 2017 (Provisional) compared to Rs. 6.09 crore as on 31 March, 2016.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

CARE has been seeking information from Ridham Texport Private Limited (RTPL), to monitor the rating vide e-mail communications/ letters dated February 1, 2017, February 8, 2017, February 6, 2017, February 28, 2017 and March 27, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines CARE's has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Ridham Texport Private Limited's bank facilities will now be denoted as CARE BB-; ISSUER NOT COOPERATING*.

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	SMERA B/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA B/ Stable

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ABOUT SMERA

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