

Press Release

Ridham Texport Private Limited

March 28, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 16.95 Cr. (Enhanced from Rs.6.95 Cr.)
Long Term Rating	ACUITE B / Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed and assigned the long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.16.95 crore bank facilities of Ridham Texport Private Limited (RTPL). The outlook is '**Stable**'.

RTPL, based at Mumbai, was incorporated in 1997. The company is promoted by Mr. Chetan Bafna and Mrs. Reshma Bafna. RTPL is engaged in manufacturing of cotton fabrics. The company has its manufacturing unit at Boisar (Thane). The company has total 41 Weaving Machines and has production capacity of 150,000 Meters per month

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record**

RTPL has its presence since 1997 in textile industry and has established market for its products. The promoters possess more than two decades of experience in same line of business. The promoters are well supported by an experienced second line of management. The extensive experience of the promoters has helped the company in establishing longstanding relationships with clients and suppliers.

Weaknesses

- **Average financial risk profile**

RTPL has average financial risk profile marked by tangible net worth of Rs.7.35 crore as on 31 March, 2018 as against Rs.6.54 crore as on 31 March, 2017. The unsecured loan of Rs.3.70 crore as on 31 March, 2018 and Rs.1.90 crore as on 31 March, 2017 were considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing (debt-equity) stood at 1.71 times as on 31 March, 2018 as against 2.02 times in the previous year. The debt mainly consists of long term debt of Rs.8.65 crore, working capital limit of Rs.2.77 crore, unsecured loans from directors Rs.0.30 crore and current portion of long term debt of Rs. 0.86 crore as on 31 March, 2018. The interest coverage ratio (ICR) stood at 1.01 times for FY2018 as against 1.50 times in FY2017. The total outside liabilities/tangible net worth (TOL/TNW) stood at 1.87 times as on 31 March, 2018 as against 2.05 times as on 31 March, 2017. The debt service coverage ratio (DSCR) stood low at 0.51 times for FY2018.

- **Working capital intensive operations**

The operations of RTPL are working capital intensive marked by high GCA of 448 days in FY2018 as compared to 348 days in FY2017. The GCA days are mainly dominated by inventory days of 280 days in FY2018 and in FY2017. The average cash credit utilisation for last six months ending February 2019 was ~88.75 percent. Acuite 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 operates in textile industry which is exposed to intense competition from several small as well as large fabric manufacturers affecting margins and bargaining power with customers.

Liquidity profile

The liquidity position of RTPL stood stretched as net cash accruals stood at Rs. (0.51) crores in FY2018 against the maturing debt obligations which stood at Rs.0.86 crore for FY2018 and is expected to stand at Rs.0.90- 0.95 crore during FY2019-21. The promoters are supporting the company for repaying its debt obligations in form of unsecured loans. The liquidity of the company is likely to remain slightly stretched over the medium term and will rely on the ability of the promoters to fund the liquidity deficit. The firm avails working capital facility of Rs.6.25 crore and is utilised at 88.75 percent as on February 2019.

Outlook: Stable

Acuite 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 substantial 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.15	11.51	9.33
EBITDA	Rs. Cr.	1.31	1.97	2.53
PAT	Rs. Cr.	-0.99	0.45	0.13
EBITDA Margin	(%)	12.90	17.08	27.16
PAT Margin	(%)	-9.77	3.94	1.39
ROCE	(%)	6.30	9.60	9.23
Total Debt/Tangible Net Worth	Times	1.71	2.02	2.01
PBDIT/Interest	Times	1.01	1.50	1.84
Total Debt/PBDIT	Times	7.30	5.48	4.32
Gross Current Assets (Days)	Days	448	348	421

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

Not Applicable

Any other information

None

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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Dec-2018	Cash Credit	Long Term	6.25	ACUITE B / Stable (Reaffirmed)
	Term Loan	Long Term	0.14	ACUITE B / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.56	ACUITE B / Stable (Assigned)
23-Nov-2017	Cash Credit	Long Term	6.25	ACUITE B / Stable (Assigned)

	Term Loan	Long Term	0.70	ACUITE B / Stable (Assigned)
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***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE B / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.07	ACUITE B / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE B / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.88	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.79	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.97	ACUITE B / Stable (Assigned)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.74	ACUITE B / Stable (Reaffirmed)

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About Acuite Ratings & Research:

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