

Press Release

RUDRA COTTEX PRIVATE LIMITED

28 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 90.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 90.00 crore bank facilities of Rudra Cottex Private Limited (RCPL). The outlook is '**Stable**'.

RCPL was incorporated in 2016 by Directors, Mr. Nileshkumar Babulal Patel, Mr. Rahul Abjibhai Dholu, Mr. Radheshyam Parsottambhai Pokar, and Mr. Sandip Dhansukhbhai Patel. The company plans to set up a manufacturing unit at Ahmedabad, Gujarat to manufacture cotton yarn with installed capacity of 27,360 spindles.

Key Rating Drivers

Strengths

• Experienced management

The company is led by Director, Mr. Sandip Dhansukhbhai Patel, who possesses experience of around a decade in the textile business while other Directors, including Mr Patel and Mr Dholu have extensive entrepreneurial experience.

• Proximity to raw material source

The manufacturing facility is located at Ahmedabad. The company benefits from the proximity to raw material source as Gujarat is one of the largest cotton producing states.

Weaknesses

• Project implementation risk

The manufacturing unit is exposed to time and cost overruns. The total cost of the project is Rs. 111.00 crore to be funded through promoters' funds of Rs.33.00 crore and term loan of Rs.78.00 crore. The commercial production is expected to start from mid-December 2017 and the capacity utilisation in the first year is estimated to be around 75 percent.

• Intense competition

The company will be exposed to intense competition in the industry from the unorganised segment. This could lead to low bargaining power in terms of product pricing and cap margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the outlook on RCPL's rated facilities will remain Stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	N.A.	N.A.	N.A.
EBITDA	Rs. Cr.	N.A.	N.A.	N.A.
PAT	Rs. Cr.	N.A.	N.A.	N.A.
EBITDA Margin	(%)	N.A.	N.A.	N.A.
PAT Margin	(%)	N.A.	N.A.	N.A.
ROCE	(%)	N.A.	N.A.	N.A.
Total Debt/Tangible Net Worth	Times	N.A.	N.A.	N.A.
PBDIT/Interest	Times	N.A.	N.A.	N.A.
Total Debt/PBDIT	Times	N.A.	N.A.	N.A.
Gross Current Assets (Days)	Days	N.A.	N.A.	N.A.

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

None

Any other information

None

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>

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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB-/ Stable (Assigned)
Term Loan*	Not Applicable	Not Applicable	Not Applicable	48.00	SMERA BB-/ Stable (Assigned)
Term Loan**	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Assigned)

*One time capex FLC as a sub limit of Term Loan-Rs.8.00 cr. **MUCB agreed to sanction additional term loan of Rs.2.00 cr. against existing sanction of Rs.28.00 cr.

Contacts

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ABOUT SMERA

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