

Press Release

Rudra Cottex Private Limited

December 29, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Incorporated in 2016, RCPL is based at Gandhinagar (Gujarat). The company is engaged in manufacturing of cotton yarn. The Directors are Mr. Nileshkumar Babulal Patel, Mr. Rahul Abjibhai Dholu, Mr. Radheshyam Parsottambhai Pokar, and Mr. Sandip Dhansukhbhai Patel. The company has a manufacturing unit at Ahmedabad (Gujarat) to manufacture cotton yarn with installed capacity of 35,000 spindles.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RCPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr. Sandip Patel has around a decade of experience in textile industry well supported by other Directors' extensive entrepreneurial experience. The experience of promoters has helped the company in timely execution of project and has helped to establish customer and supplier base.

- **Location advantage**

The manufacturing facility is located at Ahmedabad in Gujarat. Gujarat is one of the largest cotton producing states. The company benefits from proximity to raw material and thereby reduces logistical cost.

- **Improving scale of operations**

The commercial operation of the company has started from January 2018 and has booked revenue of Rs. 20.33 crore for FY2018. The capacity utilisation level of the company has increased to 85.00 percent and has booked revenue of Rs.105.00 crore till 20 December, 2018. The growing scale of operations and improving revenues will help the company to maintain moderate financial risk profile over the medium term.

Weaknesses

- **Susceptibility of margins to raw material price fluctuation**

The operating margins of the company depend on prices of raw material i.e. raw cotton which is highly volatile in nature. The prices of cotton depends upon factors including area under production, yield for the year, international demand supply scenario, export quota decided by government and inventory carry forward of last year which exposes the textile players to price volatility risk. Further, cotton being a seasonal crop is dependent upon the vagaries of monsoon.

- **Highly competitive and fragmented industry**

RCPL operates in textile spinning industry which is highly fragmented. The Indian textile industry is highly competitive and marked by the presence of large number of unorganised and organised players. Further, industry has low entry barriers increasing competition for players such as RCPL, thereby putting pressure on bargaining power with customers.

Outlook: Stable

Acuité believes that RCPL will continue to maintain 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' if the company reports substantial increase in operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.33	-
EBITDA	Rs. Cr.	6.31	-0.09
PAT	Rs. Cr.	-1.12	-0.12
EBITDA Margin	(%)	31.03	-
PAT Margin	(%)	-5.53	-
ROCE	(%)	2.70	-2.05
Total Debt/Tangible Net Worth	Times	2.77	8.64
PBDIT/Interest	Times	2.70	-21.04
Total Debt/PBDIT	Times	13.76	-100.62
Gross Current Assets (Days)	Days	548	-

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. Crore)	Ratings/Outlook
28-Dec-2017	Cash Credit	Long Term	10.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	48.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4 (Assigned)

***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	10.00	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	45.78	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	28.62	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB- / Stable (Assigned)

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About Acuité Ratings & Research:

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