

Press Release

RAWALWASIA YARN DYEING PRIVATE LIMITED

February 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 19.00 crore bank facilities of Rawalwasia Yarn Dyeing Pvt Ltd. The outlook is '**Stable**'.

Rawalwasia Yarn Dyeing Private Limited (RYPPL) was established in 1987 by Mr. Sumit Agarwal and Mr. Banwarlal Anwala. The company is engaged in manufacturing of texturized yarn with their manufacturing facility located in Surat (Gujarat).

Key Rating Drivers

Strengths

- **Experienced management**

RYDPL has been in operations since 1987. The directors of the company, Mr. Sumit Agarwal and Mr. Banwarlal Anwala have experience of more than three in the textile industry.

- **Average financial risk profile**

The average financial risk profile of the company is marked by moderate network, high gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.11.49 crore in FY2017 as increased from Rs.6.74 crore in FY2016. The network includes unsecured loan of Rs. 4.07 crores from promoters infused in FY'17. SMERA has considered the unsecured loans as quasi equity as the same is subordinated to bank debt. The gearing of the company stood high at 2.42 times in FY2017 as declined from 4.18 times in FY2016. The interest coverage ratio (ICR) of the company stood comfortable at 2.09 times in FY2017 as compare to 1.97 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.53 times in FY2017 as compared to 1.92 times in FY2016. The net cash accruals against the total debt (NCA/TD) stand comfortable at 0.12 times in FY2017 as compare to 0.07 times in FY2016.

- **Moderate scale of operation**

The scale of operation stood moderate at Rs.63.45 crore in FY2017 as compare to Rs.64.62 crore in FY2016. The company has booked Rs.50.00 crore from April till November'2017 (Provisional).

Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 154 days in 2016-17, as compare to 156 days in 2015-16. These high GCA days emanate from collection period and high inventory days of 71 and 76 days in FY17.

- **Highly fragmented and competitive nature of operation**

RYDPL's operates in highly fragmented industry wherein the presence of large number of players in the organized and unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered standalone business and financial risk profile of the company

Outlook: Stable

SMERA believes RYDPL will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	63.45	64.62	78.94
EBITDA	Rs. Cr.	5.88	3.52	2.52
PAT	Rs. Cr.	0.68	0.24	0.59
EBITDA Margin	(%)	9.26	5.44	3.19
PAT Margin	(%)	1.07	0.36	0.75
ROCE	(%)	11.50	9.76	29.62
Total Debt/Tangible Net Worth	Times	2.42	4.18	2.55
PBDIT/Interest	Times	2.09	1.97	1.74
Total Debt/PBDIT	Times	3.99	6.32	4.35
Gross Current Assets (Days)	Days	154	156	141

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

NA

Any other information

NA

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	Ratings/ Outlook
Cash Credit	NA	NA	NA	12.00	SMERA BB/Stable
Term Loan	NA	NA	NA	6.78	SMERA BB/Stable
Proposed Long Term	NA	NA	NA	0.22	SMERA BB/Stable

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1208 abhishek.dey@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

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