

Press Release

Rawalwasia Yarn Dyeing Private Limited

April 22, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 23.00 Cr. (Enhanced from Rs 19.00 Cr.)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 23.00 crore bank facilities of RAWALWASIA YARN DYEING PRIVATE LIMITED (RYPL). The outlook is '**Stable**'.

The ratings upgrade reflects the extensive experience of promoters in textile business and sustained improvement in its revenue profile and profitability. These rating strengths are partially offset by the moderate financial risk profile and working capital cycle though improving from previous level.

Incorporated in 1987, RYPL is a Surat based company promoted by Mr. Sumit Agarwal and Mr. Banwarlal Anwala. RYPL is engaged in manufacturing of texturised polyester yarn from partial oriented yarn and knitted fabric with its manufacturing facility located in Daman and Pipodara (Gujarat). Additionally, the company is also engaged in trading of imported coal.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

RYPL has an established operational track record since 1987 in the textile sector. The Directors of the company, Mr. Sumit Agarwal and Mr. Banwarlal Anwala have experience of more than three decades resulting in established relations with customers and suppliers.

- Growing scale of operations and healthy profitability**

RYPL registered operating revenue of Rs. 74.68 crore in FY2017-2018 as against Rs. 63.45 crore in the previous year. During FY 2018-19, the firm has achieved revenue of Rs. 98.31crore (Provisional). Additionally, the profitability has also improved from 9.26 percent in FY2017 to 10.67 percent in FY2018. The same is on account of change in product portfolio and upgradation of existing machinery. Going forward, the company is expected to maintain its profitability margins on account of continuous capex to increase production capacity and cost reduction.

Weaknesses

- Working capital intensive nature of operations**

RYPL's working capital operations are moderate marked by Gross Current Asset (GCA) of 126 days in FY2018 as against 162 days in FY2017. The same is on account of inventory of 61 days and credit extended to customers of 63 days in FY2018. The company purchases raw material (partial oriented yarn) in bulk resulting in high inventory.

• Moderate financial risk profile

RYPL's financial risk profile is moderate marked by modest net worth, high gearing and comfortable debt protection metrics. The net worth stood at Rs.11.28 crore as on 31 March, 2018 as against Rs.11.49 crore as on 31 March, 2017. The gearing improved from 2.42 times as on 31 March, 2017 to 2.05 times as on 31 March, 2018. The same is expected to improve with repayment of long term debt in medium term and steady cash accruals. The total debt of Rs. 23.10 crore comprised of long term borrowings of Rs 5.89 crore, unsecured loans infused by promoters of Rs. 7.86 crore and working capital borrowings of Rs 9.34 crore as on March 31, 2018. The debt protection metrics remained healthy with interest coverage ratio at 2.72 times in FY2018 as against 2.09 times in FY2017. The debt service coverage ratio remained modest at 1.52 times as on March 31, 2018 as against 1.53 times in the previous year. Net cash accruals stood at 0.18 times as on March 31, 2018.

Liquidity Profile:

RYPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.24 crore during FY2017-18, while its maturing debt obligations stood at Rs.1.75 crore over the same period. The cash accruals of the company are expected to remain comfortable to meet its repayment obligations during 2019-21. The cash credit limit in the company remains utilised at around 78 percent during the last 6 months period ended December 2018. The company had unencumbered cash and bank balances of Rs.0.07 crore as on March 31, 2018. The current ratio of the company stands modest at 1.63 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual sufficient to meet its repayments over the medium term.

Outlook: Stable

Acuite believes that RYPL will maintain 'Stable' outlook over the medium term from its promoters' long standing experience in the industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement or capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	74.68	63.45	64.62
EBITDA	Rs. Cr.	7.97	5.88	3.52
PAT	Rs. Cr.	1.76	0.68	0.24
EBITDA Margin	(%)	10.67	9.26	5.44
PAT Margin	(%)	2.36	1.07	0.36
ROCE	(%)	15.56	11.50	9.76
Total Debt/Tangible Net Worth	Times	2.05	2.42	4.18
PBDIT/Interest	Times	2.72	2.09	1.97
Total Debt/PBDIT	Times	2.78	3.99	6.32
Gross Current Assets (Days)	Days	126	154	156

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.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
13-Feb-2018	Term Loan	Long Term	12.00	ACUITE BB/ Stable (Assigned)
	Cash Credit	Long Term	6.78	ACUITE BB/ Stable (Assigned)
	Proposed Long Term	Long Term	0.22	ACUITE BB/ Stable (Assigned)

*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	18.50 (Enhanced from Rs 12.00 Crore)	ACUITE BB+ / Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.95 (Reduced from Rs 6.78 Crore)	ACUITE BB+ / Stable (Upgraded)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.55 (Enhanced from 0.22 Crore)	ACUITE BB+ / Stable (Upgraded)

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About Acuité Ratings & Research:

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