Press Release

Rawalwasia Textile Industries Private Limited

January 29, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 31.50 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating to **'ACUITE BB' (read as ACUITE double B)** and short term rating to **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs.31.50 crore of bank facilities of Rawalwasia Textile Industries Private Limited (RTPL). The outlook is **'Stable'.**

RTPL was established in 1988 by Mr. Samir Agarwal and Mr. Dinesh Dayama. The company is engaged in trading of coal and is based out of Surat (Gujarat).

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of RTPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

RTPL has established operational track record since 1988. The company initially commenced operations with trading of cotton yarn and subsequently, changed to coal trading in 2013. The Directors Mr. Samir Agarwal and Mr. Dinesh Dayama have an experience of more than two decades in trading business through other organisation.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing and healthy debt protection measures. RTPL has a moderate net worth base of Rs.9.78 crore as on 31 March, 2018 as compare to Rs13.21 crore 31 March, 2017. This is mainly because the company has repaid its unsecured loan of Rs. 4.88 crore, which had been treated as quasi capital in the last financial year. The gearing of the company stood high at 2.34 times in FY2018 as compare to 1.11 times in previous year. The debt profile of Rs.22.89 crore consists of term loan of Rs.0.01 crore, unsecured loan Rs.0.52 crore and cash credit of Rs.22.36 crore. The total outside liability against tangible net worth (TOL/TNW) stood moderate at 3.85 times in FY2018 as compared to 2.40 times in FY2017. The company has healthy interest coverage ratio of 2.16 times in FY2018 as compared to 1.80 times in FY2017 and comfortable DSCR of 1.76 times as on 31 March, 2018 as compared to 1.55 times in the previous year. The net cash accruals against total debt stands moderate at 0.07 times in FY 2018 as compared to 0.05 times in previous year.

Weaknesses

Moderate profitability

The operating margin of the company has increased and stood moderate at 2.21 percent in FY2018 as compared to 1.85 percent in FY2017. The net profit margin of the company stood moderate at 1.65 percent in FY2018 as compared to 0.87 percent in FY2017.

Working capital intensive nature of operations
The operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 194 days in 2017-18, declined from 222 days in 2016-17. These high GCA days emanate from collection period of 110 days in FY18. The company's operations are expected to remain capital intensive, as the company is engaged in trading of coal, which are used in textile industry, iron & steel industry and cement industry which leads to a collection period of around 110 days, which is mainly due to inherent cyclicality of the industry.

Liquidity Position

RTIPL has cash credit limits of Rs. 30.00 crore which have been 80-85 percent utilized in the past six months ending December 2018. The company maintains unencumbered cash and bank balances of Rs.4.86 crore as on March 31, 2018. The current ratio of the company stands moderate at 1.27 times as on March 31, 2018.

Outlook: Stable
Acuité believes RTIPL 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	87.71	73.16	65.28
EBITDA	Rs. Cr.	1.94	1.35	1.37
PAT	Rs. Cr.	1.45	0.64	0.42
EBITDA Margin	(%)	2.21	1.85	2.10
PAT Margin	(%)	1.65	0.87	2.10
ROCE	(%)	13.60	9.84	18.76
Total Debt/Tangible Net Worth	Times	2.34	1.11	1.63
PBDIT/Interest	Times	2.16	1.80	1.74
Total Debt/PBDIT	Times	5.49	6.65	6.43
Gross Current Assets (Days)	Days	194	222	170

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
- Trading 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. Cr)	Ratings/Outlook
13-Feb-2018	Cash Credit	Long Term	30.00	ACUITE BB/Stable (Assigned)
	Proposed Short Term	Short Term	1.50	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	30.00	ACUITE BB/Stable (Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.