

Press Release

Rawalwasia Textile Industries Private Limited

July 05, 2019

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

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

The rating upgrades in view of significant increase in revenue due to increase in customer base and diversification in end user industry, resultant to improvement in profitability and financial risk profile in FY2019 (Prov.) The rating upgrades also reflects in improvement working capital management by improvement in debtor days.

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 considered the standalone business and financial risk profile of RTIPL 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 of Rs.14.69 crore as on 31 March, 2019 (Prov.) as compared to Rs 9.78 crore 31 March, 2018. This is mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.84 times in FY2019 (Prov.) as compared to 2.34 times in previous year. The debt profile of Rs.26.98 crore consists of term loan of Rs.0.45 crore, unsecured loan Rs.1.36 crore and cash credit of Rs.25.18 crore. The total outside liability against tangible net worth (TOL/TNW) stood moderate at 3.03 times in FY2019 (Prov.) as compared to 3.85 times in FY2018. The company has healthy interest coverage ratio of 3.57 times in FY2019 (Prov.) as compared to 2.16 times in FY2018 and comfortable DSCR of 2.87 times as on 31 March, 2019 (Prov.) as compared to 1.76 times in the previous year. The net cash accrual against total debt stands moderate at 0.19 times in FY 2019 (Prov.) as compared to 0.07 times in previous year.

Weaknesses

Moderate profitability

The operating margin of the company has moderate at 3.65 percent in FY2019 (Prov.) as compared to 2.21 percent in FY2018. The net profit margin of the company stood moderate at 1.98 percent in FY2019 (Prov.) as compared to 1.65 percent in FY2018.

Foreign Exchange Fluctuation Risk

RTIPL's imports 90% traded goods i.e. coal from Singapore, Australia, China and South Africa. This leads to foreign exchange risk.

Liquidity Position

RTIPL's liquidity profile is moderate marked by adequate net cash accruals as against no major maturing long term debt obligations. The company generated cash accruals of Rs. 5.02 crore during in 2019 (P), against no major long term debt obligations over the same period. The bank limit in the company remained 70- 80% utilized. The current ratio in the company stands moderate at 1.37 times as on 31st March 2019 (Prov.). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of adequate cash accrual and as against no long term debt repayments over the medium term.

Outlook:

Acuite believes RTIPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in sales and profitability and improved working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	247.64	87.71	73.16
EBITDA	Rs. Cr.	9.04	1.94	1.35
PAT	Rs. Cr.	4.91	1.45	0.64
EBITDA Margin	(%)	3.65	2.21	1.85
PAT Margin	(%)	1.98	1.65	0.87
ROCE	(%)	25.54	13.60	9.84
Total Debt/Tangible Net Worth	Times	1.84	2.34	1.11
PBDIT/Interest	Times	3.57	2.16	1.80
Total Debt/PBDIT	Times	2.81	5.49	6.65
Gross Current Assets (Days)	Days	81	194	222

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

None

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/criteria-fin-ratios.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
29-Jan-2019	Cash Credit	Long Term	30.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Short Term	Short Term	1.50	ACUITE A4+ (Reaffirmed)
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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+/Stable (Upgraded)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.