

## Press Release

### Rammaruti Textiles Private Limited (RTPL)

09 May 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.6.00 crore
<b>Long Term Rating</b>	SMERA B/ Outlook:Stable (Assigned)

\* Refer Annexure for details

SMERA has assigned a long term rating of '**SMERA B' (read as SMERA B)** to the Rs. 6.00 crore bank facility of Rammaruti Textiles Private Limited (RTPL). The outlook is '**Stable**'.

Rammaruti Textile Private Limited (RTPL) is a Mumbai based company incorporated in 1999. The promoters are Mr. Jay Thakkar, Mr. Varun Thakkar and Mr. Samir Thakkar. RTPL is engaged in manufacture of furnished woven fabric used in pillows, bed sheets, curtains and sherwani. The manufacturing plant is located at Silvassa having production capacity of 2 lakh meters per day. These fabrics are sold locally across India through dealers and agents.

### Key rating drivers

#### Strengths

#### **Established track record of operations and experienced management**

RTPL is in the said line of business since 1999. The Promoters Mr. Jay Thakkar, Mr. Varun Thakkar and Mr. Samir Thakkar have more than two decades of experience in textile industry. This has helped the company in building healthy relationship with customers and suppliers.

#### Weaknesses

#### **Moderate scale of operations**

RTPL has moderate scale of operations marked by operating income of Rs.26.00 crore for FY2017 against operating income of Rs.24.07 crore for FY2016 and Rs.20.85 crore for FY2015. Further, from April 2017 till September 2017 company has achieved revenue of Rs.12.50 crore.

#### **Average financial risk profile**

RTPL has average financial risk profile marked by modest net worth of Rs.3.57 crore as on 31 March 2017. The gearing (debt-to-equity) stood at 3.48 times as on 31 March 2017 against 3.08 times as on 31 March 2016. Of the total debt of Rs.12.42 crore, long term debt constitute Rs.7.90 crore and working capital borrowing of Rs.4.52 crore as on 31 March 2017. Interest Coverage Ratio (ICR) is moderate at 1.19 times for FY2017 as against 1.69 times for FY2016. Debt Service Coverage Ratio (DSCR) is low at 0.83 times for FY2017. Total Outside Liabilities to Total Net Worth (TOL/TNW) is high at 5.29 times in FY2017.

### Working capital intensive nature of operations and stretched liquidity position

The operations are working capital intensive marked by high Gross Current Assets (GCA) days of 288 for FY2017 as against 246 for FY2016. This is mainly on account of longer collection period marked by debtor days of 220 for FY2017 as against 135 for FY2016. Further, inventory holding period is moderate at 43 days in FY2017 as against 86 days in FY2016. SMERA believes that improvement in working capital cycle would be the key rating sensitivity in the medium term.

### Highly fragmented and competitive industry

RTPL operates in highly fragmented industry with limited entry of barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RTPL to arrive at the rating.

### Outlook – Stable

SMERA believes RTPL will maintain stable outlook over the medium term from the extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in revenues and profitability. Conversely, the outlook may be revised to 'Negative' if RTPL faces any steep decline in revenues or profitability or further stretch in the working capital cycle leading to deterioration in its financial risk profile.

### About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.00	24.07	20.85
EBITDA	Rs. Cr.	2.54	1.11	1.32
PAT	Rs. Cr.	0.03	0.05	0.22
EBITDA Margin	(%)	9.79	4.60	6.34
PAT Margin	(%)	0.12	0.20	1.04
ROCE	(%)	14.11	5.89	18.27
Total Debt/Tangible Net Worth	Times	3.48	3.08	1.83
PBDIT/Interest	Times	1.19	1.69	1.94
Total Debt/PBDIT	Times	4.87	9.74	4.83
Gross Current Assets (Days)	Days	288	246	195

### Any other information:

Not Applicable

### 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>

**Status of non-cooperation with previous CRA (if applicable):** None

**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 (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B/ Stable
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/ Stable

**Contacts:**

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Naveen Papisetty Analyst - Rating Operations Tel: 040- 40055487 <a href="mailto:naveen.papisetty@smera.in">naveen.papisetty@smera.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

**ABOUT SMERA**

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