

Press Release
Rishab Cotspin Private Limited

June 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.9.85 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE B' (read as ACUITE B)** on the Rs.9.85 crore bank facilities of Rishab Cotspin Private Limited. The outlook is **'Stable'**.

The Punjab-based, Rishab Cotspin Private Limited (RCPL) (Erstwhile known as Shagun Shoes Private Limited) was incorporated in 1995. The company promoted by Mr. Rishab Jain and Mrs. Shvaita Jain is engaged in manufacturing of acrylic yarn and trading of fabric. The company initially started operations in 2013 with trading of fabric and in FY2017-18 it also started manufacturing activity. The manufacturing facility is located at Ludhiana (Punjab) with a capacity of 4.50 tonnes per day.

Key Rating Drivers

Strengths

• **Experienced management**

The promoter, Mr. Rishab Jain has an experience of a decade in the textile industry. Acuite believes that RCPL will be able to sustain its leverage on the extensive experience of the promoter and established relations in the textile industry.

Weaknesses

• **Average financial risk profile**

RCPL has average financial risk profile marked by tangible net worth of Rs.2.02 crore as on 31 March, 2018 (Provisional) as against Rs.0.50 crore as on 31 March, 2017. The gearing stood high at 4.66 times as on 31 March, 2018 (Provisional) as against 4.16 times as on 31 March, 2017. The debt of Rs. 9.41 crore mainly consists of term loans of Rs.5.53 crore, unsecured loans of Rs.2.27 crore and working capital borrowings of Rs.1.61 crore as on 31 March, 2018 (Provisional). The Interest Coverage Ratio (ICR) stood at 2.52 times for FY2018 (Provisional) as against 1.40 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 7.21 times as on 31 March, 2018 (Provisional) as against 6.75 times as on 31 March, 2017. Going forward, Acuite expects the company to maintain its financial risk profile in near to medium term in absence of major debt funded capex plans.

• **Working capital intensive operations**

RCPL's operations are working capital intensive marked by high Gross Current Assets (GCA) of 186 days in FY2018 (Provisional) compared to 61 days in FY2017. The GCA days are mainly dominated by high debtor days of 91 days in FY2018 (Provisional) compared to 17 days in FY2017. The average cash credit utilisation for the past six months stood at ~90 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Debt funded capex plans

The company has started manufacturing activity in FY2017-18. The total cost of project is Rs.~11.20 crore which will be financed from term loan of Rs.6.85 crore and rest through internal accruals. Notwithstanding the benefits of the debt funded capex, timely completion and stabilisation will remain key rating sensitivities.

• Competitive and fragmented industry

RCPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the RCPL to arrive at this rating.

Outlook: Stable

Acuite believes RCPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.23	9.75	3.59
EBITDA	Rs. Cr.	0.65	0.08	0.01
PAT	Rs. Cr.	0.03	0.02	0.01
EBITDA Margin	(%)	3.79	0.80	0.28
PAT Margin	(%)	0.19	0.19	0.18
ROCE	(%)	4.16	5.80	1.97
Total Debt/Tangible Net Worth	Times	4.66	4.16	1.54
PBDIT/Interest	Times	2.52	1.40	69.05
Total Debt/PBDIT	Times	14.40	21.64	43.67
Gross Current Assets (Days)	Days	186	61	120

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

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	3.00	ACUITE B/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE B/Stable

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About Acuité Ratings & Research:

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