

Press Release

Rudraksh Synthetic Private Limited

October 30, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B** (read as **ACUITE B**) to the Rs. 8.50 crore bank facilities of Rudraksh Synthetic Private Limited (RSPL). The outlook is '**Stable**'.

Incorporated in 2010, RSPL is a Gujarat-based company promoted by Mr. Naresh Mandlewala and Mr. Hemant Mandlewala. The company is engaged in dyeing and printing of cotton, polyester and nylon fabrics on job work basis. The company has its manufacturing unit at Surat with capacity of dyeing 60000 meters per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

RSPL has its presence in textile industry for nearly a decade with the promoters possessing vast experience in this industry. The company is engaged in dyeing and printing of fabrics on job work basis for the traders in Gujarat.

Acuité believes that RSPL will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

Weaknesses

- **Stagnant revenue with fluctuating profitability margins**

RSPL shows stagnation in revenue growth. The company reported revenue of Rs.28.70 crore in FY2018 (Provisional) as against Rs.28.63 crore in FY2017 and Rs.30.80 crore in FY2016. The company has booked revenue of Rs.15.58 crore for April to September 2018. Further, the operating margins are fluctuating at 14.57 percent in FY2018 (Provisional) as against 15.19 percent in FY2017 and 13.43 percent in FY2016. PAT margins are improving at 3.05 percent in FY2018 (Provisional) against 1.33 percent in FY2017 and negative 1.41 percent in FY2016.

Acuité believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

- **Weak financial risk profile**

The financial risk profile is weak marked by tangible net worth of Rs.1.72 crore as on 31 March, 2018 (Provisional). The gearing stood high at 8.05 times as on 31 March, 2018 (Provisional). The total debt of Rs.13.88 crore includes term loan from bank of Rs.6.47 crore, working capital borrowings of Rs.1.82 crore and unsecured loan of Rs.5.59 crore. Interest Coverage Ratio (ICR) stood at 3.25 times in FY2018 (Provisional) as against 2.78 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 13.52 times as on 31 March, 2018 (Provisional). The net cash accruals to total debt (NCA/TD) stood at 0.21 times in FY2018 (Provisional) compared to 0.15 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Outlook: Stable

Acuité believes that RSPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining its financial risk profile along with profitability margins. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher than envisaged debt funded capex or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.70	28.63	30.80
EBITDA	Rs. Cr.	4.18	4.35	4.14
PAT	Rs. Cr.	0.87	0.38	-0.43
EBITDA Margin	(%)	14.57	15.19	13.43
PAT Margin	(%)	3.05	1.33	-1.41
ROCE	(%)	12.95	12.06	8.36
Total Debt/Tangible Net Worth	Times	8.05	-31.52	-16.47
PBDIT/Interest	Times	3.25	2.78	2.46
Total Debt/PBDIT	Times	3.32	4.15	3.83
Gross Current Assets (Days)	Days	142	141	116

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.63	ACUITE B / Stable
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	2.37	ACUITE B / Stable

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About Acuité Ratings & Research:

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