

Press Release

Ruhatiya Spinners Private Limited

November 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 24.00 crore bank facilities of Ruhatiya Spinners Private Limited (RSPL). The outlook is '**Stable**'.

RSPL, incorporated in 1996, is engaged in manufacture of yarn and trading of cotton bales and rice. The company derives ~40 percent of its income through sale of manufactured yarn of 20's count, while rest of its income is derived from trading in cotton bales, yarn and other agro based foods. The manufacturing facility is located at Akola (Maharashtra) with installed capacity of 18000 spindles P.A.

Analytical Approach

Acuité has considered consolidated business and financial risk profiles of Ruhatiya Cotton and Metal Pvt. Ltd (RCM), Ruhatiya Spinners Pvt. Ltd (RSPL) and Omprakash Shivprakash (OPSP), herein after referred as 'Ruhatiya Group'. The consolidation is mainly on account of similarity in the line of business strong operational synergies and common management.

About the Group

Ruhatiya Group comprising of Narmada Solvex Private Limited, Kaluram Food Products Private Limited, Ruhatiya Cotton & Metal Private Limited, Ruhatiya Spinners Private Limited, Ruhatiya Hospitals Private Limited, Kaluram Laminates Private Limited, Vidarbha Textile Mill Owners Association, Omprakash Shivprakash and Ruhatiya Agro Private Limited was established in 1995 by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal. The group has presence in oil industry, textile industry and agro industry, among others. The manufacturing facility of the group is located at Akola (Maharashtra).

Key Rating Drivers

Strengths

• Experienced management and established track record of operations

The group is promoted by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal. They have experience of over three decades in various agro based industries. The promoters' extensive industry experience has enabled the group to establish long term relations with customers and suppliers. Acuité believes that Ruhatiya Group will sustain its existing business profile on the back of established track record of operations and experienced management.

• Moderate financial risk profile

Ruhatiya Group has moderate financial risk profile marked by tangible net worth of Rs.74.41 crore as on 31 March, 2018 as against Rs.74.40 crore as on 31 March, 2017. The net worth includes unsecured loan of Rs.64.34 crore as on 31 March, 2018 which is considered as quasi equity. The debt to equity ratio stood at 0.55 times as on 31 March, 2018 as against 0.65 times as on 31 March, 2017. The debt of Rs.41.00 crore mainly consists of working capital borrowings as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.21 times in FY2018 as against 1.24 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.18 times in FY2018 as against 1.21 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.68 times as on 31 March, 2018 as against 0.83 times as on 31 March, 2017. Going forward, Acuité expects that the group will maintain its financial risk profile in the absence of any major debt funded capex plans.

Weaknesses

• Working capital intensive operations

The operations of the group are working capital intensive as reflected in Gross Current assets (GCA) of 193 days in FY2018 compared to 169 days in FY2017. The GCA days are mainly dominated by debtor days of 152 days in FY2018 compared to 106 days in FY2017. The debtor collection period increased mainly due to extended credit granted towards orders. The average bank limit utilisation stood at ~80 percent for the past six months ended October, 2018. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• Susceptible to volatility in raw material prices and climatic conditions

Ruhatiya group derives ~65 percent of its income from trading of cotton bales. Cotton being a seasonal crop, the production of the same is highly dependent upon monsoon. Thus, inadequate rainfall affects the availability of cotton in adverse weather conditions. Further, cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices are depending on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability.

• Competitive and fragmented industry

The group operates in a highly competitive and fragmented textile industry and faces competition from established brands as well as unorganised players. This impacts the bargaining power of the company and margins thereof.

Outlook: Stable

Acuite believes that Ruhatiya Group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group 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 group'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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	224.22	284.42	267.09
EBITDA	Rs. Cr.	6.26	4.93	5.88
PAT	Rs. Cr.	0.53	0.34	0.35
EBITDA Margin	(%)	2.79	1.74	2.20
PAT Margin	(%)	0.24	0.12	0.13
ROCE	(%)	4.92	4.72	16.26
Total Debt/Tangible Net Worth	Times	0.55	0.65	1.18
PBDIT/Interest	Times	1.21	1.24	1.20
Total Debt/PBDIT	Times	6.55	9.76	6.08
Gross Current Assets (Days)	Days	193	169	111

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	14.00*	ACUITE BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+

* Sub-limit Import LC Rs. 2.00 crore

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About Acuité Ratings & Research:

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