

Press Release

Ruhatiya Spinners Private Limited

October 07, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed 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**) on the Rs. 24.00 crore bank facilities of Ruhatiya Spinners Private Limited (RSPL). The outlook is '**Stable**'.

RSPL, incorporated in 1996, is engaged in manufacturing of yarn and trading of cotton bales and rice. The company derives ~30-40 per cent of its income through sale of manufactured yarn 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

Acuite has considered consolidated business and financial risk profiles of Ruhatiya Cotton and Metal Private Limited (RCM), Ruhatiya Spinners Private Limited (RSPL) and Omprakash Shivprakash (OPSP); hereafter referred to as 'Ruhatiya Group'. The consolidation is mainly on account of similarity in the line of business, strong operational and financial synergies and common management. Extent of Consolidation: Full

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 the 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, promoted by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal, have experience of over three decades in various agro-based industries. Ruhatiya Group has an established track record of over three decades in trading of cotton and agro-based industry. The promoters' extensive industry experience has enabled the group to establish long-term relations with the customers and suppliers.

Acuite believes that the promoters' entrepreneurial experience and healthy relationship with customers and suppliers will support its business risk profile over the medium term.

- **Moderate albeit marginal deterioration of financial risk profile**

Ruhatiya Group has moderate financial risk profile marked by modest networth, gearing and coverage indicators. The tangible net worth reduced to Rs. 37.16 crore as on 31 March, 2019 (Provisional) as against Rs. 74.41 crore as on 31 March, 2018. The reduction in networth is on account of withdrawal of quasi equity to the tune of Rs. 39.31 crore during FY2019. The net worth as on March 31, 2019 (Provisional) includes unsecured loan of Rs. 25.03 crore (P.Y. Rs. 64.34 crore) as on 31 March, 2019 (Provisional), which is considered as quasi equity. Accordingly, the debt to equity ratio increased to 0.89 times as on 31 March, 2019 (provisional) as against 0.56 times as on 31 March, 2018. The debt of Rs. 32.98 crore consists of working capital borrowing. The Interest Coverage Ratio (ICR) improved marginally to 1.34 times for FY 2019

(provisional) as against 1.21 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) increased to 1.30 times as on March 31, 2019 (provisional) as against 0.68 times as on 31 March, 2018 mainly on account of reduction in networth. Further, the group has net cash accruals of Rs. 1.16 crore in FY2019 (Provisional) as against Rs. 0.95 crore in FY2018.

Going forward, Acuite expects that the group will maintain its financial risk profile in absence of any major debt funded capex plans.

• **Efficient working capital management**

The group has efficiently managed its working capital as reflected in Gross Current assets (GCA) of 96 days as on March 31, 2019 (Provisional) compared to 193 days as on 31 March, 2018. The improvement in GCA days is on account of reduction in debtor collection days. The debtor days stood 44 days as on March 31, 2019 (Provisional) as compared to 152 days in FY2018. The debtor collection period declined mainly due to reduction in exports and higher sales on commodity exchanges. The average cash credit utilization for the past six months stood at ~70-80 per cent.

Acuite believes that the group's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

• **Profitability is exposed to volatility in raw material prices and climatic conditions**

Ruhatiya Group derives ~74 per cent of its income from the textile industry. Cotton being a seasonal crop, the production of the same is highly dependent upon the 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 depend on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability. The EBITDA margin has declined to 2.04 per cent in FY2019 (provisional) from 2.79 per cent in FY2018.

• **Competitive and fragmented industry**

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

Rating Sensitivities

- Withdrawal of partner's capital and/or unsecured loans leading to deterioration in liquidity position.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Material Covenants

None

Liquidity Position: Adequate

The bank limit utilisation was ~70-80 per cent for the six months ended August 2019. Utilisation is expected to remain moderate on account of efficient working capital management. Further, the promoters are resourceful in infusing funds on need basis. The group does not have any term loan. The current ratio stood moderate at 1.59 times as on March 31, 2019.

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 group's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	293.32	224.22	284.42
EBITDA	Rs. Cr.	5.98	6.26	4.93
PAT	Rs. Cr.	0.70	0.53	0.34
EBITDA Margin	(%)	2.04	2.79	1.74
PAT Margin	(%)	0.24	0.24	0.12
ROCE	(%)	5.94	4.88	4.67
Total Debt/Tangible Net Worth	Times	0.89	0.56	0.66
PBDIT/Interest	Times	1.34	1.21	1.24
Total Debt/PBDIT	Times	5.52	6.67	9.99
Gross Current Assets (Days)	Days	96	193	168

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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Nov-2018	Cash Credit	Long Term	14.00*	ACUITE BB+/Stable (Assigned)
	PC/PCFC	Short Term	10.00	ACUITE A4+ (Assigned)

* Sub-limit Import LC Rs. 2.00 crore

*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 (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)

* Sub-limit Import LC Rs. 2.00 crore

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