

Press Release

Ramkrushna Spinning Mills Private Limited

D-U-N-S® Number: 87-222-4595

December 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 47.80 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 47.80 crore bank facilities of Ramkrushna Spinning Mills Private Limited (RSMPL). The outlook is '**Stable**'.

RSMPL, based at Amreli (Gujarat), was incorporated as a private limited company in 2012. The company is promoted by Mr. Jayantibhai Chatrola, Mr. Arvind Bhai Daslaniya along with ten others directors. The company is engaged into manufacturing of cotton yarn with an average count of 30s and 40s. The manufacturing facilities are located at Amreli with 18240 spindles and also a ginning unit at the same location for captive consumption. The company also exports, which contributes to 80 percent of total sales.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The key promoters of the company possess more than three decades of experience in the textile spinning and ginning industry. Other Directors also have more than a decade experience in same line of business. The extensive experience of the promoters has helped the company in scaling up operations and timely completion of the project. The strong network of promoters has helped company to established relationships with customers and suppliers.

- **Proximity to raw material and location advantage**

The manufacturing facilities are located in Gujarat, which is one of the largest cotton producing belts in India, ensuring ready availability of raw materials. Further, RSMPL has locational advantage in terms of low logistic costs (both on the transportation and storage) and is eligible for various incentives by the state as well as central government, where it is entitled to receive interest subsidy, capital subsidy, power and indirect tax subsidy.

- **Improving revenue and comfortable working capital cycle**

The operating revenue of the company has improved to Rs.124.79 crore in FY2018 as compared to Rs.116.29 crore in FY2017 and Rs.38.49 crore in FY2016. The increase in revenues is supported by improving scale of operations and optimum capacity utilisation levels. The improvement in operations is supported by comfortable working capital cycle marked by Gross Current Assets (GCA) of 83 days in FY2018 and 66 days in FY2017. The working capital utilisation of facilities stood at 42.62 percent for last six month ending October 2018.

- **Moderate financial risk profile**

The financial risk profile of is marked by its healthy net worth, moderate gearing and debt protection metrics. The net worth stood at healthy levels of Rs.30.76 crore as on 31 March, 2018 as against Rs.28.99 crore in the previous year. The debt-equity (Gearing) stood moderate at 1.25 times as on 31 March, 2018 which has improved from 1.66 times in the previous year due to decrease in long term borrowings. The gearing ratio has remained moderate in the past three years ended 31 March, 2018. The interest coverage ratio stood comfortable at 3.25 times in FY2018 and 6.42 times in FY2017. Debt Service Coverage Ratio (DSCR) also stood moderate at 2.72 times for FY2018.

Weaknesses

- **Susceptibility of margins to raw material price fluctuation**

The operating margins of the company depend on prices of raw material i.e. raw cotton which is highly volatile in nature. The prices of cotton depends upon factors such as area under production, yield for the year, international demand supply scenario, export quota decided by government and inventory carry forward of last year which exposes the ginners to price volatility risk. Further, cotton being a seasonal crop which is dependent upon the vagaries of monsoon.

- **Highly competitive and fragmented industry**

RSMPL operates in textile ginning and spinning industry which is highly fragmented. The Indian textile industry is highly competitive and marked by presence of large number of unorganised and organised players. Further, industry has low entry barriers increasing competition for players such as RSMPL, thereby putting pressure on bargaining power with customers.

Outlook: Stable

Acuité believes that RSMPL will continue to maintain 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' if the company reports substantial increase in operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	124.79	116.29	38.49
EBITDA	Rs. Cr.	14.29	13.61	4.66
PAT	Rs. Cr.	1.77	1.88	-5.16
EBITDA Margin	(%)	11.45	11.70	12.12
PAT Margin	(%)	1.42	1.62	-13.41
ROCE	(%)	8.37	5.05	-2.59
Total Debt/Tangible Net Worth	Times	1.25	1.66	1.61
PBDIT/Interest	Times	3.25	6.42	1.48
Total Debt/PBDIT	Times	2.68	3.52	9.19
Gross Current Assets (Days)	Days	83	66	109

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

Not Applicable

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	7.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	28.13	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.67	ACUITE A3

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About Acuité Ratings & Research:

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