

Press Release

Raj Shree Impex Private Limited

May 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.50 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 minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 16.50 crore bank facilities of Raj Shree Impex Private Limited (RIPL). The outlook is '**Stable**'.

Incorporated in 2010, RIPL is engaged in the manufacturing of readymade garments, exclusively ladies kurta. The promoter Mr. Laxman Daga has four years of experience in the garment industry. The manufacturing facility is located at Jaipur.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Robust growth in revenue and profitability margins**

The revenue in FY 2018 was Rs. 33.85 crore as against Rs. 23.85 crore in FY 2017 and Rs. 9.41 crore in FY 2016. The robust growth in revenue was due to increase in demand in Rajasthan area. The revenue for FY 2019 (Provisional) is Rs. 32.43 crore. The EBITDA margin of the company has improved to 9.57 percent in FY 2019 (Provisional) as against 7.81 percent in FY 2018 due to operational efficiencies.

Weaknesses

- **Below-average financial risk profile**

RIPL has below average financial risk profile marked by net worth of Rs.6.33 crore for FY2019 (Provisional) as against Rs. 4.75 crore for FY2018 and Rs. 3.19 crore for FY2017. The gearing (debt to equity ratio) stood at 1.94 times for FY 2019 (Provisional) as against 2.22 times for FY2018. The interest coverage ratio (ICR) stood at 2.61 times for FY 2019 (Provisional) as against 2.26 times for FY2018.

- **Intense competition**

The company operates in a segment where various organised as well as unorganised players exists which leads to intense competition.

Liquidity Profile

The liquidity position of the company is stretched as reflected from high working capital limit utilisation at ~80 percent for past six months ended April 2019. The working capital cycle is stretched with high GCA days of 178 for FY 2017-18 mainly on account of high inventory days which stood at 117 days for FY 2017-18. The current ratio as on 31 March 2019 (Provisional) is 1.23 times. Net cash accruals/ total debt is 0.13 times for FY 2019.

Outlook: Stable

Acuite believes that RIPL will maintain 'Stable' business risk profile over the medium term on account of demand in the market. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers deterioration in its liquidity profile or financial risk profile due to major debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	32.43	33.85	23.85
EBITDA	Rs. Cr.	3.10	2.64	1.26
PAT	Rs. Cr.	0.69	0.43	0.36
EBITDA Margin	(%)	9.57	7.81	5.30
PAT Margin	(%)	2.13	1.26	1.51
ROCE	(%)	12.85	13.52	15.04
Total Debt/Tangible Net Worth	Times	1.94	2.22	2.44
PBDIT/Interest	Times	2.61	2.26	3.01
Total Debt/PBDIT	Times	3.95	3.95	6.15
Gross Current Assets (Days)	Days	216	178	191

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.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	7.50	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.27	ACUITE BB- / Stable (Assigned)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.73	ACUITE BB- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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