

Press Release

Ruby Cotex Private Limited

August 06, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.15.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.15.50 Cr. bank facilities of Ruby Cotex Private Limited (RCPL). The outlook is '**Stable**'.

Shirpur based Ruby Cotex Private Limited was incorporated the year 2010. It started its operations in 2014 and is a part of Deesan Group that has the experience in the textile industry since 1995. The company is promoted by Mr. Bhupesh Patel, Ms. Hiral Patel, Ms. Jayshree Patel and Shirpur Construction Private Limited. It is into the business of weaving of Terry Towels. It has its manufacturing facility in Shirpur, Maharashtra with a weaving capacity 400 tons per month.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced Management**

RCPL is engaged in the business of weaving of terry towels since 2014. The company is a part of Deesan group that has more than 2 decades of experience in the textile industry. The directors of the company are Disha Desai, Purvesh Kocha, Suhas Shukla have experience around a decade in textile industry.

Acuité believes that the company will continue to benefit from its promoter's industry experience over the medium term.

Weaknesses

- **Weak financial risk profile**

RCPL has a weak financial risk profile marked by very high gearing of 17.42 times as on March 31, 2020 (Provisional) as against 26.62 times as on March 31, 2019. Its ICR stood at 1.18 times as against 1.21 times as on March 31, 2019 and DSCR at 1.08 times in FY2020 (Provisional) as against 0.91 times as on March 31, 2019. Whereas its TOL/TNW stood significantly at 24.08 times as on March 31, 2020 (Provisional) as against 32.86 times as on March 31, 2019 because of significant unsecured debt. The NCA/TD at a paltry of 0.01 times as on March 31, 2020 (Provisional) and as on March 31, 2019.

- **Modest Scale of operations and concentration risk**

The revenues of the company have remained volatile and declined in the past four years to Rs.19.87 crore in FY2020 (provisional) from Rs.75.46 crore in FY2017. The revenues of the company depend completely on the performance of Krushna Cotex Private Limited (part of Deesan Group) who is its sole and final customer. Krushna Cotex Private Limited markets the terry towels to U.S, Europe and India market. Some of its major customers are Walmart, Target, and J.C Penny, to name a few. Going forward, the ability of the company to improve its scale of operations will be a key rating sensitivity factor.

Liquidity position: Stretched

RCPL has stretched liquidity profile marked by moderate net cash accruals of Rs.0.37 crores for FY2020

(Provisional). The net cash accruals are expected to be ranging from Rs.0.60 crore to Rs.1.20 crores over the medium term. The company has working capital intensive operations as marked by Gross Current Asset (GCA) of 627 days in FY2020 (Provisional) as compared to 634 days in FY2019. The current ratio stood modest at 1.30 times as on March 31, 2020 (Provisional). The cash and bank balances of the company stood at Rs.0.44 crores as on March 31, 2020 (Provisional). Acuité believes that going forward, the company will maintain the same liquidity position backed by modest cash accruals and working capital intensive operations.

Rating Sensitivities

- Improvement and sustainability of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.

Material Covenants

None

Outlook: Stable

Acuité believes that RCPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	19.87	26.92
PAT	Rs. Cr.	0.02	0.10
PAT Margin	(%)	0.09	0.36
Total Debt/Tangible Net Worth	Times	17.42	26.62
PBDIT/Interest	Times	1.18	1.21

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	13.70%	Not Applicable	15.50	ACUITE B / Stable

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About Acuité Ratings & Research:

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