



SMERA RATINGS LIMITED

Ramka Silk House Private Limited (RSHPL)

*Rating
Rationale*

December 12, 2014

Facilities	Amount (Rs. Crore)	Rating
FBP/FBD/FCBP/FCBD*	14.50*	SMERA A4 (Assigned)
EPC/PCFC/FBP/FBN/PSCFC	10.50	SMERA A4 (Assigned)

**Includes PC/PCFC as sublimit to the extent of Rs.12.00 crore*

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Ramka Silk House Private Limited (RSHPL). The rating is supported by the company's experienced management and diversified customer base. However, the rating is constrained by the company's stretched working capital cycle, strained liquidity position and weak financial profile in an intensely competitive segment of the textile industry. The rating is also constrained by the susceptibility of the company's profit margins to fluctuations in forex rates.

RHSPL, established in 2002, is a Mumbai-based company engaged in manufacturing and export of embroidered fabric and garments. RHSPL benefits from its experienced management. The directors of the company have around 25 years of experience in the textile industry. RSHPL caters to several customers in Mauritius, Africa, USA and Middle East.

RSHPL's working capital cycle is stretched at 128 days (inventory holding of 110 days, collection period of 111 days and payables period of 92 days) in FY2013-14. The company's strained liquidity position is evidenced by low balance in the current account. RSHPL's weak financial profile is marked by operating profit (EBITDA) margin of 3.84 per cent and net profit (PAT) margin of 0.95 per cent in FY2013-14. Moreover, the company's net profit of Rs.0.72 crore in FY2013-14 arises from forex gain of Rs.2.43 crore. RHSPL's debt-equity ratio is high at 1.97 times as on March 31, 2014.

RSHPL operates in an intensely competitive segment of the textile industry. The company's profit margins are highly susceptible to fluctuations in forex rates.

About the company

RSHPL, established in 2002, is a Mumbai-based company promoted by Mr. Kiran Rochlaney and Mr. Sharad Rochlaney. RSHPL undertakes manufacturing and export of embroidered fabric and garments.

For FY2013-14, RSHPL reported profit after tax (PAT) of Rs.0.72 crore on operating income of Rs.75.55 crore, as compared with PAT of Rs.0.46 crore on operating income of Rs.70.89 crore in FY2012-13. The company's net worth stood at Rs.10.92 crore as on March 31, 2014, as compared with Rs.10.21 crore a year earlier.

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