

April 15, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.25*	SMERA BB/Stable (Reaffirmed)
Term Loan 3	4.74	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	0.10	SMERA A4+ (Reaffirmed)
Term Loan 1	0.35	SMERA BB/Stable (Withdrawn)
Term Loan 2	0.21	SMERA BB/Stable (Withdrawn)

*Includes FCL as a sublimit to the extent of Rs.6.00 crore

SMERA has reaffirmed the ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.13.09 crore bank facilities of R. M. Knitters Private Limited (RMKPL). The outlook on the long-term rating is '**Stable**'. The ratings continue to draw comfort from the company's established operations and moderate financial risk profile. However, the ratings remain constrained by the susceptibility of the company's profit margins to volatility in raw material prices. The ratings are also constrained by the company's working capital-intensive operations.

SMERA has withdrawn the rating of '**SMERA BB/Stable**' on the Rs.0.56 crore bank facilities of RMKPL; there are not outstanding dues against the aforementioned facilities.

Update

For FY2013-14 (refers to financial year, April 01 to March 31), RMKPL registered net profit of Rs.0.16 crore on operating income of Rs.52.61 crore, as compared with net profit of Rs.0.13 crore on operating income of Rs.43.56 crore in FY2012-13. Despite increase in sales volumes, the company's revenues declined to ~Rs.46.00 crore in FY2014-15 on account of reduction in sales realisation (following decline in crude oil prices). RMKPL started export of texturised yarn in FY2013-14 to fulfil its export obligation under the Export Promotion Capital Good (EPCG) scheme.

RMKPL's profit margins are susceptible to volatility in prices of key raw material viz. polyester partially oriented yarn (POY). The company's operating profit margin declined from 9.59 per cent in FY2012-13 to 7.10 per cent in FY2013-14 on account of increase in raw material cost. RMKPL registered operating profit margin of ~8.50 per cent (provisional) in FY2014-15.

RMKPL's moderate financial risk profile is reflected in gearing of 1.84 times as on March 31, 2014 (2.02 times as on March 31, 2013) and interest coverage ratio of 2.22 times in FY2013-14 (2.23 times in FY2012-13). The company's net worth stood at Rs.8.35 crore as on March 31, 2014, as compared with Rs.8.19 crore a year earlier. RMKPL operates in a highly competitive segment of the textile industry. The company's operations are working capital-intensive as customers are offered liberal credit terms (of 90-125 days), while payments to suppliers are made within 45-60 days. RMKPL's average utilisation of working capital limit was high at 95.80 per cent during July 2014 to December 2014.

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RMKPL continues to benefit from its experienced management. Mr. Surendra Jiwrajka and Mr. Narendra Jiwrajka, directors of RMKPL, have around 20 years of experience in the textile industry.

Outlook: Stable

SMERA believes RMKPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

RMKPL, incorporated in 2001, is a Mumbai-based company promoted by Mr. Surendra Kumar Jiwrajka and Mr. Narendra Kumar Jiwrajka. RMKPL is engaged in manufacturing of texturised yarn and knitted fabric. The company has a manufacturing unit in Dadra (Dadra and Nagar Haveli), with installed capacity of 3,940 metrics tonnes per annum (MTPA) for knitted fabric.

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