

R. M. Knitters Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	8.25*	SMERA BB/Stable (Reaffirmed)
Term Loan	4.74	SMERA BB/Stable (Reaffirmed)
Proposed Long Term	0.56	SMERA BB/Stable (Assigned)
Bank Guarantee	0.10	SMERA A4+ (Reaffirmed)

* includes FLC sublimit to the extent of Rs. 6.00 crore

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.13.65 crore bank facilities of R. M. Knitters Private Limited (RMKPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's established operations and moderate financial risk profile. However, the ratings are constrained by the declining revenue trend, susceptibility of the profit margins to volatility in raw material prices and the working capital intensive operations.

Update

Revenues of RMKPL have declined from Rs.52.61 crores in FY2013-14 to Rs.43.52 crore in FY2014-15 (refers to financial year, April 01 to March 31) due to the trend of crude oil prices. The company has been operating at almost full capacity. RMKPL has a moderate financial risk profile as reflected in the gearing of 1.79 times as on March 31, 2015 from 2.02 times as on March 31, 2013. The interest coverage ratio stands at 1.83 times in FY2014-15. Going ahead, the gearing and coverage indicators are expected to improve with repayment of loan.

RMKPL operates on stretched working capital cycle with high debtor days of 111 for FY2014-15. There's high utilisation of working capital facilities with average utilization of around 90.83 per cent over the past six months ended April 2016.

Rating Sensitivity Factors

- Scaling up operations while maintaining operating margins
- Efficient working capital management

Outlook-Stable

SMERA believes that RMKPL will maintain a stable outlook over the medium term owing to the company's established track record of operations and experienced management. The outlook may be revised to 'Positive' if the company registers substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

RMKPL was incorporated in 2001 by Mr. Surendra Kumar Jiwarajka and Mr. Narendra Kumar Jiwarajka. The company is engaged in the manufacture of texturized yarn and knitted fabric at Mumbai and has an installed capacity of 3,940 MTPA for knitted fabrics. The manufacturing facilities are located at Dadra and Nagar Haveli.

In FY2014-15, RMKPL reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.45.83 crore, as compared to PAT of Rs.0.16 crore on operating income of Rs.52.61 crore in the previous year.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Reaffirmed For		Rating Outlook
			Long Term	Short Term	
15 April, 2015	Cash Credit	8.25*	SMERA BB	-	Stable
	Term Loan III	4.74	SMERA BB	-	Stable
	Bank Guarantee	0.10		SMERA A4+	
	Term Loan I	0.35	SMERA BB	-	Stable (Withdrawn)
	Term Loan II	0.21	SMERA BB	-	Stable (Withdrawn)

* includes FLC sublimit to the extent of Rs.6.00 crore

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating Outlook
			Long Term	Short Term	
10 February, 2014	Cash Credit	8.25*	SMERA BB	-	Stable
	Term Loan I	0.35	SMERA BB	-	Stable
	Term Loan II	0.20	SMERA BB	-	Stable
	Term Loan III	6.10	SMERA BB	-	Stable
	Bank Guarantee	0.10	-	SMERA A4+	-

* includes FLC sublimit to the extent of Rs. 6.00 crore

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ABOUT SMERA

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