

Press Release

R. M. Knitters Private Limited (RMKPL)

5 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.65 Cr.
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short-term rating of '**SMERA A4+**' (read as '**SMERA A four plus**') on the above bank facilities of R.M. Knitters Private Limited (RMKPL). The outlook is **Stable**.

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

Key rating drivers

Strengths

Established operational track record, experienced management: RMKPL has been manufacturing texturised yarn and knitted fabric since 2001. The company is promoted by Mr. Surendra Kumar Jiwrajka and Mr. Narendra Kumar Jiwrajka who possess experience of around two decades in the textile industry.

SMERA believes that RMKPL will continue to benefit from its established position in the industry and experienced management.

Modest scale of operations: The scale of operations is modest with operating income of Rs. 46.65 crore in FY2017 as against 43.68 crore in FY2016. The company registered revenue of Rs.28 crore for the period Apr to Dec 2017 and expects revenue of Rs.47 crore in FY2018 backed by its established presence in the market.

Moderate financial risk profile: RMKPL has a moderate financial profile marked by networth of Rs.8.61 crore as on 31 March, 2017 as against Rs.8.54 crore in the previous year. The gearing stood at 1.59 as on 31 March, 2017 as against 1.64 times in the previous year. The Interest Coverage Ratio stood at 1.76 times in FY2017 and 1.68 times in FY2016. The total debt of Rs.13.66 crore as on 31 March, 2017 majorly comprises cash credit facility of Rs. 8.23 crore, inter corporate loan of Rs.1.55 crore, unsecured loan from directors of Rs.2.46 crore, current maturity of long term debt of Rs.1.20 crore and bank term loan of Rs.0.22 crore.

The ICR remained moderate at 1.76 times for FY2017 and 1.68 times for FY2016 with DSCR of 1.00 times and 1.03 times for FY2017 and FY2016 respectively. The TOL/TNW stood at 2.73 times for FY2017.

Weaknesses

Uneven operating profit margin: The EBITDA margin declined to 5.02 per cent in FY2017 from 7.16 per cent in FY2016. This was mainly on account of thrust on volumes during demonetisation and increase in raw material prices. The PAT margin stood at 0.17 per cent in FY2017 as against 0.16 per cent in FY2016.

Intensive working capital operations: The working capital intensive operations are marked by high Gross Current Asset days of 174 in FY2017 as against 177 days in FY2016 due to elongated debtor days of 126 days in FY2017 and FY2016. However, as informed by the banker, the utilisation of working capital limits has been around 90 per cent.

Susceptibility of profitability to volatility in raw material prices: The operations of the company are susceptible to fluctuations in the prices of cotton (raw material).

Highly competitive and fragmented industry: RMKPL operates in a competitive and fragmented readymade garment industry with several players in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RMKPL to arrive at the rating.

Outlook: Stable

SMERA believes that RMKPL will maintain a stable outlook over the medium term owing to its extensive experienced of the management. The outlook may be revised to 'Positive' in case the company registers sustainable profit margins, healthy net cash accruals and maintains healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operations, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.65	43.68	45.83
EBITDA	Rs. Cr.	2.34	3.13	3.32
PAT	Rs. Cr.	0.08	0.07	0.13
EBITDA Margin	(%)	5.02	7.16	7.25
PAT Margin	(%)	0.17	0.16	0.29
ROCE	(%)	7.78	8.80	8.60
Total Debt/Tangible Net Worth	Times	1.59	1.64	1.79
PBDIT/Interest	Times	1.76	1.68	1.83
Total Debt/PBDIT	Times	5.83	4.47	4.58
Gross Current Assets (Days)	Days	174	177	157

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Oct 2016	Cash Credit	Long Term	8.25*	SMERA BB (Indicative)
	Term Loan	Long Term	4.74	SMERA BB (Indicative)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Indicative)
	Proposed Cash Credit	Long Term	0.56	SMERA BB (Indicative)
27-Jun-2016	Cash Credit	Long Term	8.25*	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	4.74	SMERA BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	0.56	SMERA BB / Stable (Reaffirmed)

15-Apr-2015	Cash Credit	Long Term	8.25*	SMERA BB / Stable (Reaffirmed)
	Term Loan I	Long Term	0.35	SMERA BB / Stable (Withdrawn)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Reaffirmed)
	Term Loan II	Long Term	0.21	SMERA BB / Stable (Withdrawn)
	Term Loan III	Long Term	4.74	SMERA BB / Stable (Reaffirmed)

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

***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	NA	NA	NA	8.25*	SMERA BB/ Stable (Reaffirmed)
Term Loan	NA	NA	NA	0.56	SMERA BB/ Stable (Reaffirmed)
Bank Guarantee	NA	NA	NA	0.10	SMERA A4+ (Reaffirmed)
Proposed	NA	NA	NA	4.74	SMERA BB/ Stable (Reaffirmed)

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

Contacts:

Analytical	Rating Desk
VinayakNayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Pawan Punmaji, Rating Analyst, Tel: +91-22-6714 1352 Email: pawan.punmaji@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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