

Press Release

R. M. Knitters Private Limited

February 04, 2019

Rating Reaffirmed and Withdrawn



Total Bank Facilities Rated*	Rs. 8.25 Cr. (reduced from 13.65 Cr.)
Long Term Rating	ACUITE BB/ Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the previously rated bank facility of Rs. 8.25 crore. Further, Acuite has withdrawn the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the bank facility of Rs.5.40 crore of R. M. Knitters Private Limited (RMPL). The outlook is '**Stable**'

RMPL, based at Mumbai, 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 fabrics. The registered office is located in Mumbai and the manufacturing facility is located at Dadra and Nagar Haveli with an installed capacity of 4,000 MTPA for knitted fabrics.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

RMPL has been manufacturing texturised yarn and knitted fabric since 2001. The company has over a decade's presence in the industry and has well established market for its products. The promoters possess experience of two decades in the textile industry. The extensive experience of the promoters has helped the company to maintain longstanding relationships with its customers, dealers and suppliers. Acuite believes that RMPL will continue to benefit from its established position in the industry and experienced management.

- **Moderate financial risk profile**

The company has a moderate financial profile marked by net worth of Rs.13.60 crore as on 31 March, 2018 as against Rs.11.08 crore in the previous year. The net worth includes unsecured loans from promoters of Rs.4.88 crore in FY2018 as against Rs.2.46 crore in FY2017. The gearing (debt-equity) stood comfortable at 0.74 times as on 31 March, 2018 which has improved from 1.59 times as on 31 March, 2017. Interest Coverage Ratio stood 1.62 times in FY2018 and 1.76 times in FY2017. The total debt of Rs.10.07 crore as on 31 March, 2018 majorly comprises cash credit facility of Rs.8.22 crore, inter corporate loan of Rs.1.50 crore, current maturity of long term debt of Rs.0.24 crore and bank term loan of Rs.0.11 crore. The TOL/TNW stood at 1.19 times in FY2018 as compared to 1.90 times for FY2017. The debt service coverage ratio stood low at 0.96 times in FY2018 and 1.00 times in FY2017.

- **Improved margins**

The operating margins have improved to 6.34 percent in FY2018 as compared to 5.02 percent in FY2017 despite of decline in operating income to Rs. 39.13 crore in FY2018 from Rs. 46.65 crore in the previous year. The improvement is due to decline in raw material prices and addition of premium products in existing product profile. The PAT margins have also improved to 0.27 percent in FY2018 as compared to 0.17 percent in FY2017.

Weaknesses

• Working capital Intensive nature of operations

The working capital intensive operations are marked by high Gross Current Asset (GCA) of 192 days in FY2018 as against 174 days in FY2017, due to elongated inventory days of 56 days in FY2018 from 28 days in FY2017. The utilisation of working capital limits has been around 96.37 per cent in last six months ending 31 December, 2018.

• Susceptibility of profitability to volatility in raw material prices

The operating margins of the company depend on prices of raw material i.e. cotton which is highly volatile in nature. The prices of cotton depends upon factors including area under production, yield for the year, international demand supply scenario, export quota decided by government and inventory carry forward of last year which exposes the textile players to price volatility risk. Further, cotton being a seasonal crop is dependent upon the vagaries of monsoon.

• Highly competitive and fragmented industry

RMPL operates in textile knitting industry which is highly fragmented. The Indian textile industry is highly competitive and is marked by the presence of large number of unorganised and organised players. Further, industry has low entry barriers increasing competition for players such as RMPL, thereby putting pressure on bargaining power with customers.

Liquidity Position

RMPL has average liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The firm had cash accruals of Rs.1.09 crore in FY2018 and Rs.1.20 crore in FY2017. The company's operations are moderately intensive as marked by gross current asset (GCA) of 192 days in FY2018 and 174 days in FY2017. This has led to more reliance on working capital borrowings, the cash credit limit remains utilised at ~96.37 percent during the last six months period ended December 2018. The current ratio stood modest at 1.46 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain modest over the medium term on account of moderate cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that RKPL will continue to maintain 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' if the company reports substantial increase in operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	39.13	46.65	43.68
EBITDA	Rs. Cr.	2.48	2.34	3.13
PAT	Rs. Cr.	0.11	0.08	0.07
EBITDA Margin	(%)	6.34	5.02	7.16
PAT Margin	(%)	0.27	0.17	0.16
ROCE	(%)	7.07	7.78	8.80
Total Debt/Tangible Net Worth	Times	0.74	1.01	0.95
PBDIT/Interest	Times	1.62	1.76	1.68
Total Debt/PBDIT	Times	3.81	3.85	3.33
Gross Current Assets (Days)	Days	192	174	177

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Jan-2018	Cash Credit	Long Term	8.25*	ACUITE BB/ Stable (Reaffirmed)
	Term Loan	Long Term	4.74	ACUITE BB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.56	ACUITE BB/ Stable (Reaffirmed)
11-Oct-2017	Cash Credit	Long Term	8.25*	ACUITE BB Issuer not co-operating
	Term Loan	Long Term	4.74	ACUITE BB Issuer not co-operating
	Bank Guarantee	Short Term	0.10	ACUITE A4+ Issuer not co-operating
	Proposed Cash Credit	Long Term	0.56	ACUITE BB Issuer not co-operating
27-Jun-2016	Cash Credit	Long Term	8.25*	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	4.74	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	0.56	ACUITE BB/Stable (Assigned)

* 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	Not Applicable	Not Applicable	Not Applicable	8.25*	ACUITE BB/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.56	ACUITE BB (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Withdrawn)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.74	ACUITE BB (Withdrawn)

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

Contacts

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About Acuité Ratings & Research:

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