

Press Release

R. M. Knitters Private Limited

March 24, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.25 crore
Long Term Rating	ACUITE BB (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.8.25 crore bank facilities of R M Knitters Private Limited (RMKL). This rating is now withdrawn and is based on best available information.

The rating has been withdrawn on account of request received from the company and NOC received from the banker.

R M Knitters Private Limited (RMKL) based 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 facilities are located at Dadra and Nagar Haveli which has an installed capacity of 4,000 MTPA for knitted fabrics.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RMKL to arrive at the rating.

Key Rating Drivers

Strengths

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

R M Knitters Private Limited (RMKPL) has been manufacturing texturised yarn and knitted fabric since 2001. The company has over a decade presence in the industry and has well established market for their products. The company is promoted by Mr. Surendra Kumar Jiwrajka and Mr. Narendra Kumar Jiwrajka who possess experience of two decades in the textile industry. The extensive experience of promoters has helped the company to maintain longstanding relationships with its customers, dealers and suppliers. Acuité believes that RMKPL will continue to benefit from its established position in the industry and experienced management.

- **Moderate financial risk profile**

The company's financial risk profile marked by moderate net worth of Rs. 13.66 crore as on 31 March, 2019 as against Rs.13.60 crore as on 31 March, 2018. The net worth included unsecured loans from promoters of Rs.4.88 crores in FY2019 FY2018. The gearing (debt equity) stood at 0.73 times as on 31 March, 2019 as against 0.74 times as on 31 March, 2018. The Interest Coverage Ratio stood 1.55 times in FY2019 and 1.62 times in FY2018. The total debt of Rs. 9.97 crore as on 31 March, 2019 comprises of long term debt of Rs.0.11 crore, unsecured loan of Rs.1.61 crore and short term debt of Rs.8.25 crore. The TOL/TNW stood at 1.22 times in FY2019 as compared to 1.19 times for FY2018. The debt service coverage ratio stood at 1.36 times in FY2019 and 0.96 times in FY2018.

Weaknesses

- **Moderate scale of operations and thin profitability**

The company's scale of operation is marked by revenue of Rs.47.12 crore in FY2019 as against Rs.39.13 crore in FY2018. The operating margin of the company has decreased to 5.11 percent in FY2019 as against 6.34 percent in FY2018. Also, the PAT margin stood at 0.13 percent in FY2019 as against 0.27 percent in FY2018.

• **Working capital intensive nature of operations**

Inspite of improvement, the working capital operations of RMKL is intensive marked by high Gross Current Asset (GCA) days of 169 in FY2019 as against 192 days in FY2018. The inventory days stood at 35 days in FY2019 from previous of 56 days in FY2018. The debtor days stood at 100 days in FY2019 as against 116 days in FY2018. The average bank limit utilization of company is around 90 per cent.

• **Highly competitive and fragmented industry**

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

Liquidity Position: Adequate

RMKL's liquidity position is adequate marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.96 crore, while it's maturing debt obligations were in the range of Rs.0.05 - 0.24 crore in FY2018-19. The company has unencumbered cash and bank balance of Rs.0.08 crore. The average bank limit utilization of the company is around 90 percent. The current ratio of the company stands low at 1.65 times as on March 31, 2019.

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	47.12	39.13
PAT	Rs. Cr.	0.06	0.11
PAT Margin	(%)	0.13	0.27
Total Debt/Tangible Net Worth	Times	0.73	0.74
PBDIT/Interest	Times	1.55	1.62

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Material Covenants

None

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
04-Feb-2019	Cash Credit	Long Term	8.25	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BB

				(Withdrawn)
	Bank Guarantee	Short Term	0.1	ACUITE A4+ (Withdrawn)
	Proposed Long Term Loan	Long Term	4.74	ACUITE BB (Withdrawn)
05-Jan-2018	Cash Credit	Long Term	8.25	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	4.74	ACUITE BB/Stable (Reaffirmed)
11-Oct-2017	Cash Credit	Long Term	8.25	ACUITE BB/Stable (Indicative)
	Term Loan	Long Term	4.74	ACUITE BB/Stable (Indicative)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Indicative)
	Proposed Long Term Loan	Long Term	0.56	ACUITE BB/Stable (Indicative)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.25	ACUITE BB (Withdrawn)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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