

Press Release

**Rameswar Udyog Pvt Ltd.**

December 27, 2019

**Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Long Term Facilities (Term Loan & CC)	63.30	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2	Non Fund Based Long Term (Bank Guarantee )	2.00	
3	Fund Based Short Term Facility (EPC/PCFC)	27.00	IVR A3 (IVR A Three)
	<b>Total</b>	<b>92.30</b>	

**Details of facilities are in Annexure 1**

**Rating Rationale**

The rating derives strength from company's substantial operational income growth, efficient management of operations and the diversified clientele. The rating however is constrained by susceptibility due to fluctuation in raw-material costs and the high gearing.

**Key Rating Sensitivities**

- **Downward Rating Action** - Continued growth in its operating income would be crucial for the company as any deterioration in the same would impact its liquidity position and call for a negative rating action
- **Upward Rating Action** - Continued de-leveraging of its capital structure would increase the company's profitability and call for positive rating action

**Detailed Description of Key Rating Drivers**

## **Key Rating Strengths**

### ***Substantial growth in operations***

The company recorded substantial growth in its operating income owing to the 55% increase that it saw in its exports in FY19. The total operating income increased from Rs. 284.37 cr. in FY18 to Rs. 410.98 Cr. in FY19. The increase was on the back of company's expansion into yarn manufacturing which bolstered its existing trading business. Going forward revenue from manufacturing activity is expected to increase more.

### ***Efficient Management of Operations***

The company is able to manage its operations efficiently which can be seen from the fast turn-around of its orders. The overall cash conversion cycle for FY19 was at 42 days. The average collection period of 32 days and the average inventory period of 15 days augurs well for the company.

### ***Diversified clientele***

RUPL has a diversified client portfolio with its foreign customers based out of Middle East, Africa and European countries. With its plan to diversify its clientele even further, the slight concentration risk that was visible in FY19 would not bother much to the company. RUPL is also able to garner repeat orders from its clients which can be seen by the number of years of association with them.

## **Key Rating Weaknesses**

### ***Susceptibility due to fluctuation in raw-material cost***

Textile industry is susceptible to any changes in raw materials prices, especially, cotton. As the cotton production in India is concentrated in regions like Gujarat, Maharashtra, Telangana etc., problems such as water shortage and uneven rainfall in these regions has the potential to impact the production and in turn the prices of cotton.

### ***High Gearing in spite of improvement in operating income***

Although with the increasing operating income, RUPL's overall gearing reported an improvement from a high value of 5.64x in FY18 to 3.05x in FY19, the level continue to remain high. The Long term Debt to Equity ratio stood at 2.19x while the TOL/TNW stood at 3.79xin FY19.

## Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

## Liquidity

Liquidity position of the company appears to be adequate with increasing gross cash accruals for the projected period. It is also supported by undrawn bank limits where the company has utilised only around 60% of its working capital limits on an average for the past one year. The liquidity position of the company appears to be adequate to meet all its debt obligations in the next 12 months.

## About the company

Incorporated in November 1996, Rameswar Udyog Pvt Ltd. (RUPL) is engaged in business of manufacturing and exporting of industrial garments and yarns. Initially, the company's prime line of business was manufacturing of industrial garments and trading in yarns. It gradually expanded its business and established a spinning division in FY17 after which it started its own yarn production. Very recently the company has also ventured into fabric and dye exports.

## Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	284.37	410.98
EBITDA	19.51	24.79
PAT	4.24	12.34
Total Debt	103.64	93.54
Tangible Net worth	18.36	30.70
EBIDTA Margin (%)	6.86	6.03
PAT Margin (%)	1.49	3.00
Overall Gearing ratio (x)	5.64	3.05

\* Classification as per Infomerics' standards

## Any other information: N.A

**No Cooperation status with previous CRA:** ICRA in its report dated October 31, 2018 has informed that rating of Rameswar Udyog Pvt Ltd continues to remain in "Issuer Not Cooperating" category

## Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term (TL & CC)	63.30	IVR BBB- /Stable Outlook	--	--	--
Non Fund Based Facilities	Long Term (BG)	2.00		--	--	--
Fund Based Facilities	Short Term (EPC/PCFC)	27.00	IVR A3	--	--	--
	<b>Total</b>	<b>92.30</b>				

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (CC)	--	--	--	20.00	IVR BBB- / Stable Outlook
2	Long Term Fund Based (Term Loan)	--	--	--	43.30	
3	Short Term Fund Based (EPC/PCFC)	--	--	--	27.00	IVR A3
4	Long Term Non Fund Based (BG)	--	--	--	2.00	
<b>Total</b>					<b>92.30</b>	