



Press Release

Rameswar Udyog Private Limited (RUPL)

January 28, 2021

Ratings

Facilities	Amount (INR crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facility – Term Loan	33.71 (reduced from 43.30)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Fund Based – PC/PCFC	27.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
Short Term Bank Facilities – Fund Based – Proposed PC/PCFC	9.59	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Assigned
Short Term Bank Facility – Fund Based - Demand cum Usance Bills Purchase/Discount limit against accepted bills under LCs	20.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
Short Term Bank Facility – Non Fund Based – Bank Guarantee	2.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
Total	92.30 (Ninety-Two Crore and Thirty Lacs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from Experienced Promoters and Established Presence in The Yarn Export Segment, Geographically Diversified, Efficient Operating Cycle Management & Comfortable Capital Structure. The rating, however, is constrained by Intense Competition in The Industry & Profitability being Exposed to Fluctuation in Raw Material Prices.



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Key Rating Sensitivities:

Upward Factors

- Significant revenue growth, along with improved capital structure, on a sustained basis, could lead to a positive rating action.

Downward Factors

- Negative pressure on ratings could arise in case of any decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Established Presence in The Yarn Export Segment

RUPL is promoted by Mr Harsh Ajitsaria and family, who play an active role in the operations of the company; Company along with promoters have over two decades of experience in the business of import and export of cotton yarn, garments and related products. The long track record has aided in the growth of the company over the years and enabled the Company to establish strong relationships with various counterparties including suppliers and customers.

Geographically Diversified

Exports contributed about 80% to the Company's revenue in FY20. RUPL exports to many countries (including Turkey, Iran, Egypt, the UAE, Czech Republic, Italy, Syria, Morocco, Chile, China and Mauritius) and none of the countries accounted for over 25% on average of the total export revenue during FY16-FY20. The management plans to diversify into new geographies to reduce the concentration risk. Given that either export sales are backed by letters of credit or have advance payment mechanism, the receivables risk faced by the company is negligible.

Efficient Operating Cycle Management



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The procurement of cotton lint is higher during the harvest season i.e., from December-March resulting in higher inventory level during the year end. The requirement of cotton stocking during the harvest season to support manufacturing operations results in working-capital intensive operations and increases price risks. In spite of these industry constraints, RUPL has efficient working capital cycle of 47 days in FY20, with 34 receivable days and 18 inventory days.

Comfortable capital structure

The company's capital structure remained moderate, characterised by a moderate gearing of 1.84 times as on March 31, 2020, and comfortable coverage indicators with an interest coverage of 3.68 times and total debt/EBITDA of 3.23 times in FY2020.

Key Rating Weaknesses

Intense Competition in the Industry

The spinning and trading industry is highly fragmented and competitive with the presence of a large number of organised and unorganised players. Intense competition in the industry and commoditised nature of the product limit RUPL's pricing flexibility and bargaining power.

Profitability Exposed to Fluctuation in Raw Material Prices

The company's profit margins are exposed to the fluctuation in raw material prices, which depend on factors such as seasonality, monsoon condition, international demand and supply situation, export policy etc.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate



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The company maintains moderate cash and bank balance to meet its liquidity requirements. As at March 31, 2020, the company had Gross Cash Accruals of INR14.35 Crore as against CPLTD of INR7.17Crore. The average utilization of working capital limits remained low at around 30% during the 12 months ended November 30, 2020, leading to a comfortable liquidity cushion.

About the Company

Incorporated in November 1996, Rameswar Udyog Pvt Ltd. (RUPL) is promoted by Mr Harsh Ajitsaria and his family members. Based in Ahmedabad, Company is engaged in manufacturing and trading of cotton yarn and industrial garments. Company's around 80% of total revenues are generated from exports, with over 55% from trading. 85%-90% of total sales are contributed by yarn. RUPL has two manufacturing facilities - one composite unit of cotton spinning mill having installed capacity of 55.03 Lacs Kg. per year and another unit for manufacturing & export of all type of industrial garments having capacity of around 6 Lacs pcs per year.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Audited)
Total Operating Income	284.37	410.98	377.50
EBITDA	19.51	24.79	22.41
PAT	4.24	12.34	8.59
Total Debt	103.64	93.54	72.34
Tangible Net-Worth	18.36	30.70	39.29
Ratios			
EBITDA Margin (%)	6.86	6.03	5.94
PAT Margin (%)	1.49	3.00	2.27
Overall Gearing Ratio (x)	5.64	3.05	1.84

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer Not Cooperating from Brickwork Ratings as per PR dated April 27, 2020 due to non-submission of information.



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Issuer Not Cooperating from ICRA Limited as per PR dated January 21, 2020 due to non-submission of information.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Term Loan	Fund Based	33.71 (reduced from 43.30)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	--	--
2.	Short Term Bank Facilities – PC/PCFC	Fund Based	27.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)		
3.	Short Term Bank Facilities – Proposed PC/PCFC	Fund Based	9.59	IVR A3 (IVR A Three)	-	--	--
4.	Short Term Bank Facility - Demand cum Usance Bills Purchase/Discount limit against accepted bills under LCs	Fund Based	20.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)		
5.	Short Term Bank Facility – Bank Guarantee	Non-Fund Based	2.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)		

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.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	33.71 (reduced from 43.30)	FY25	IVR BBB-/Stable Outlook
Short Term Bank Facilities – Fund Based – PC/PCFC	27.00		IVR A3
Short Term Bank Facilities – Fund Based – Proposed PC/PCFC	9.59		IVR A3



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Short Term Bank Facility – Fund Based - Demand cum Usance Bills Purchase/Discount limit against accepted bills under LCs	20.00		IVR A3
Short Term Bank Facility – Non- Fund Based – Bank Guarantee	2.00		IVR A3

(Annexure 2 Facility wise lender details (Hyperlink to be added))

<https://www.infomerics.com/admin/prfiles/lender-Rameswar-Udyog-Private-Limited-jan-21-.pdf>