



## Press Release

### R C Apparels

September 14, 2023

#### Ratings

| Instrument / Facility                                            | Amount<br>(Rs. Crore)              | Ratings                                                      | Rating<br>Action | <a href="#">Complexity<br/>Indicator</a> |
|------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------|------------------|------------------------------------------|
| Long Term Fund Based<br>Bank Facilities – Term<br>Loan           | 2.59<br>(Reduced<br>from 3.00)     | IVR BB+/Stable<br>(IVR Double B Plus<br>with Stable Outlook) | Revised          | Simple                                   |
| Long Term Fund Based<br>Bank Facilities – Cash<br>Credit         | 16.50<br>(Increased<br>from 11.50) | IVR BB+/Stable<br>(IVR Double B Plus<br>with Stable Outlook) | Revised          | Simple                                   |
| Short Term Non-Fund<br>Based Bank Facilities -<br>Bank Guarantee | 0.10                               | IVR A4+<br>(IVR A Four Plus)                                 | Revised          | Simple                                   |
| <b>TOTAL</b>                                                     | <b>19.19</b>                       | <b>(Rupees Nineteen Crore and nineteen Lakh<br/>Only)</b>    |                  |                                          |

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in rating of the bank facility of R C Apparels derives strength from Extensive experience of partners, Association with reputed brands, Growing scale of operations with moderate profitability and Low working capital intensity of operations. However, these rating strengths are partially offset due to Highly competitive industry, moderate capital structure and debt protection matrix, constitutional risk of partnership firm and Customer concentration risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained improvement in the revenue thereby leading to improvement of profitability and debt protection parameters.
- Improvement in the capital structure with improvement in overall gearing.

##### Downward Factors

- Decline in revenues and profitability leading to weakening of financial risk profile



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Extensive Experience of Partners**

The promoters of the firm are having more than three decades of experience in the textile industry which gives the firm advantage like knowledge of local market conditions, healthy relations with suppliers and customers leading to repeated orders.

##### **Association with reputed brands**

The firm has association with some of the leading clothing brands in the country like Benetton, Pepe Jeans, ITC, Spykar etc which lends it a great advantage and reduces counter party risk.

##### **Growing scale of operations with moderate profitability**

The company has reported a Total Operating Income of Rs. 189.65 crore in FY23(P) which increased by 95% from Rs. 97.12 crore in FY22 on account of increase in demand & sale of garments. The EBITDA improved to Rs 10.81 crore in FY23(P) as against Rs. 6.13 crore in FY22. The PAT of the company also improved from Rs 0.60 crore in FY22 to Rs 1.32 crore in FY23(P). The GCA is Rs 3.44 crore in FY23(P) against Rs 1.84 crore in FY22.

##### **Low working capital intensity of operations**

The working capital intensity of the company remains low driven by 60 days of operating cycle in FY2023(P). The operating cycle remained comfortable on account of low payable and receivable days supported by moderate inventory days. The current ratio stood at 1.57 times in FY23(P).



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### **Key Rating Weaknesses**

#### **Highly competitive industry**

India being a major textile hub, there are numerous players in the market at all levels which makes it a highly fragmented one limit price flexibility & impacting profitability margins.

#### **Moderate capital structure and debt protection matrix**

The net worth of the company stood at Rs 12.60 crore as on March 31, 2023(P), on account of accretion of profits to reserves. The overall gearing of the company stood moderate at 2.63 x as on March 31, 2023(P). TOL/ATNW stood at 1.41x as on March 31, 2023(P) which improved from 1.64x as on March 31, 2022 mainly due to decline in creditors. The debt protection metrics of the company stood moderate with ICR of 1.60x in FY23(P). DSCR stood moderate at 1.44 as on March 31, 2023(P).

#### **Constitutional risk of a partnership firm**

Being a partnership firm, it is exposed to inherent risks of capital being withdrawn at a time of personal contingency, risks of dissolution and limited avenues to raise capital which could prove a hindrance to the growth of the firm.

#### **Customer Concentration Risk**

Top 10 customers contribute to around 100% of the total revenues indicating a high customer concentration risk.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Rating Outlook](#)



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### Liquidity – Adequate

The liquidity position of the company has remained adequate in FY23(P) as marked by its gross cash accrual (GCA) of INR 3.44 Cr in FY23(P) as against a repayment obligation of Rs 1.22cr. The average utilization of the entity stands at 83.97% for a period of 12 months ended August 2023. The current ratio remains comfortable at 1.57X as on March 31, 2023(P). However, going ahead with an increase in revenues for FY24 due to pent up demand, the liquidity position of the company is expected to improve. The working capital cycle is also expected to remain comfortable going ahead.

### About the Company

R C Apparels is a Gurgaon based partnership firm which was registered in the year 2006 and is engaged in the manufacturing of readymade garments of both denim & non-denim variety. The firm has manufacturing units in Gurgaon wherein readymade clothes such as Men's Shirts, Bottomwear and Kurtis for women which are manufactured from cotton and denims and supplies to various reputed brands such as Pepe Jeans India Ltd, ITC Ltd, Aditya Birla Fashion & Retail Ltd, Reliance Retail, Spykar Lifestyle Pvt. Ltd., Benetton India Pvt Ltd.

### Financials Standalone:

(Rs. crore)

| For the year ended / As On*           | 31-03-2022<br>(Audited) | 31-03-2023<br>(Provisional) |
|---------------------------------------|-------------------------|-----------------------------|
| Total Operating Income                | 97.12                   | 189.65                      |
| EBITDA                                | 6.13                    | 10.81                       |
| PAT                                   | 0.60                    | 1.32                        |
| Total Debt                            | 15.47                   | 19.17                       |
| Adjusted Tangible Networth            | 25.72                   | 26.58                       |
| <b>Ratios</b>                         |                         |                             |
| EBITDA Margin (%)                     | 6.31                    | 5.70                        |
| PAT Margin (%)                        | 0.62                    | 0.69                        |
| Overall Gearing ratio (times) on ATNW | 0.60                    | 0.72                        |

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil



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### Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities                              | Current Ratings (Year 2023-24) |                                |                | Rating History for the past 3 years                     |                                                        |                                         |
|---------|------------------------------------------------------------|--------------------------------|--------------------------------|----------------|---------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|
|         |                                                            | Type                           | Amount outstanding (Rs. Crore) | Rating         | Date(s) & Rating(s) assigned in 2023-24 (July 13, 2023) | Date(s) & Rating(s) assigned in 2022-23 (May 12, 2022) | Date(s) & Rating(s) assigned in 2021-22 |
| 1.      | Long Term Fund Based Bank Facilities – Term Loan           | Long term                      | 2.59                           | IVR BB+/Stable | IVR BB-/Negative; Issuer Not Cooperating                | IVR BB/Stable                                          | -                                       |
| 2.      | Long Term Fund Based Bank Facilities – Cash Credit         | Long term                      | 16.50                          | IVR BB+/Stable | IVR BB-/Negative; Issuer Not Cooperating                | IVR BB/Stable                                          | -                                       |
| 3.      | Short Term Non-Fund Based Bank Facilities - Bank Guarantee | Short term                     | 0.10                           | IVR A4+        | IVR A4/; Issuer Not Cooperating                         | IVR A4                                                 | -                                       |

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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### Annexure 1: Details of Facilities

| Name of Facility                                           | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------------------------------------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Fund Based Bank Facilities – Term Loan           | -                | -                | -             | 2.59                         | IVR BB+/ Stable          |
| Long Term Fund Based Bank Facilities – Cash Credit         | -                | -                | -             | 16.50                        | IVR BB+/ Stable          |
| Short Term Non-Fund Based Bank Facilities - Bank Guarantee | -                | -                | -             | 0.10                         | IVR A4+                  |

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.





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**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-RC-sep23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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).

