

R.N. Knitfab Private Limited

March 02, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	10.00 (Rs. Ten Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from R. N. Knitfab Private Limited (RNKPL) to monitor the rating vide letter dated February 18, 2021 and e mail communications dated February 04, 2021, February 03, 2021, December 24, 2020 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on R.N. Knitfab Private Limited facilities will now be denoted as **CARE BB+; Stable Issuer Not Cooperating**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating assigned to the bank facilities of RNKPL has been revised on account of non-availability of requisite information due to non-cooperation by RNKPL with CARE's efforts to undertake a review of the outstanding rating. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to be constrained by the modest scale, low profitability margins, exposure to raw material price volatility, and competitive and fragmented nature of the textile industry. The rating however, derives strength from the experienced promoters, long track record of operations and established business relations with the customers and suppliers and favorable locations of operations.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale and low profitability margins: The scale of operations of RKPL has remained modest in the past. The PBILDT and PAT margins of the company have also remained low 3.37% and 0.97% respectively, in FY19.

Exposure to raw material price volatility: The primary raw material of the company is polypropylene chips, prices of which are directly linked to crude oil prices which are highly volatile in nature. Operations in a highly competitive industry limits the ability of the company to pass on increased costs to the customers thereby exposing profitability margins to any adverse movement in the raw material prices.

Competitive and fragmented nature of the textile industry: The textile industry is highly competitive in nature with the presence of a large number of players in the organized as well as unorganized sector with intense pricing pressures.

Key Rating Strengths

Experienced promoters: RKPL was established in 2002. The current directors of the company include Mr. Naveen Jain and Mr. Sanjeev Jain holding an industry experience of nearly two and a half decades each. Other directors of the company include Mr. Munish Jain and Mr. Satish Jain who hold an experience of two and a half decades and over two decades, respectively.

Long track record of operations and established business relationships with customer and suppliers: RKPL has been engaged in the textile industry for nearly one-and-a-half decade now. Other entities of the group include Emmtex Synthetics Limited (ESL) and NR Knitfab (NRK). NRK is also engaged in the textile industry while ESL is non-operational as on date. The promoters hold a vast industry experience ranging from 23-26 years through these entities. This has led to well-established relationships with the customers as-well-as suppliers.

Favorable location of operations: The company operates from two manufacturing units in Kathua, Jammu & Kashmir and one trading unit in Ludhiana, Punjab. The company sells its products directly to textile units located primarily in-and-around the Ludhiana (Punjab) region. Ludhiana is a well-established textile hub of manufacturing of textiles. The company therefore

benefits from the location advantage in terms of easy accessibility and close proximity to a large customer base. Further, with its manufacturing units located in Jammu & Kashmir, the company avails several incentives like competitive power rates, Goods and Service Tax refunds, toll tax exemption, etc.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity analysis of Non-financial sector entities](#)

[Financial ratios –Non-Financial Sector](#)

[Rating Methodology: Cotton Textile Manufacturing](#)

[CARE's methodology for manufacturing companies](#)

About the Company

RKPL was incorporated by Mr. Madan Lal Jain and Mr. Mohan Lal Jain in 2002. The company is currently being managed by their sons, Mr. Naveen Jain, Mr. Sanjeev Jain, Mr. Munish Jain, Mr. Satish Jain. RKPL is engaged in the manufacturing of various types of polyester yarn since the commencement of its commercial operations in 2004 and of knitted cloth since the installation of its knitting unit in 2010. The company operates from two manufacturing units in Kathua, Jammu & Kashmir, with a total installed capacity of 12360 MTPA (metric tonnes per annum) for yarn and 1400 MTPA for cloth as on March 31, 2019 and one trading unit in Ludhiana, Punjab. The product profile of the company includes polyester texturised yarn, fully drawn yarn and knitted cloth. The company also engages in trading of yarn, cloth etc. deriving ~2% of the total income in FY19 from this segment. The company sells primarily to textile units located in Punjab, Haryana etc. Yarn is sold under the brand name 'Aar Tex'.

Brief Financials (Rs. crore)	FY18(A)	FY 19(A)
Total operating income	77.95	81.20
PBILDT	2.40	2.74
PAT	0.64	0.79
Overall gearing (times)	0.41	0.51
Interest coverage (times)	3.48	2.57

A: Audited

Status of non-cooperation with previous CRA: CRISIL has reviewed the ratings on the basis of best available information and classified RNKPL as 'non-cooperating' vide PR dated January 22, 2020.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (17-Dec-19)	1)CARE BBB-; Stable (07-Jan-19)	1)CARE BBB-; Stable (15-Mar-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Mr. Sudeep Sanwal

Group Head Contact no.: +91-0172-4904025

Group Head Email ID- sudeep.sanwal@careratings.com

Relationship Contact

Name: Mr. Anand Jha

Contact no.: +91-0172-4904000/1

Email ID : anand.jha@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.