

Rishab Cotspin Private Limited

February 24, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding rating of 'CARE B+; Stable' (Single B Plus; Outlook: Stable) assigned to the bank facilities of Rishab Cotspin Private Limited (RCPL) with immediate effect.

Rating assigned to the bank facilities of Rishab Cotspin Private Limited continues to be constrained by small scale of operations with low profitability margins and weak overall solvency position during FY21 (refers to period from April 01 to March 31). The rating is further constrained by exposure to raw material price volatility, foreign exchange fluctuation risk and highly competitive and fragmented industry. The rating, however, derives strength from experienced promoters.

The rating withdrawal is at the request of RCPL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with low profitability margins with low profitability margins

The total operating income declined marginally in FY21 and remained small at Rs. 30.16 crore as compared to Rs. 36.19 crore during FY21. The profitability margins of RCPL improved marginally although it continues to remain low marked by below unity PAT margins of 0.66% in FY21 against 0.42% in FY20. Resultantly, its gross cash accruals also remained low at Rs.1.38 crore in FY20.

Weak overall solvency position

The capital structure of the company deteriorated marginally and remained leveraged marked by overall gearing of 4.99x as on March 31, 2021 (4.23x as on March 31, 2020) as additional debt infusion offset the increase in networth. Furthermore, as a result of leveraged gearing level along with low profitability, the debt coverage indicators stood weak marked by TDGCA ratio of 14.59x, as on March 31, 2021 (12.84x as on March 31, 2020). The interest coverage ratio, however, continued to remain at modest level of 1.78x, in FY21 (FY20: 1.72x).

Exposure to raw material price volatility

The primary raw material for the company is acrylic fiber. The prices of these are directly linked to crude oil prices which in turn 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.

Highly competitive and fragmented industry

Organized sector in the textile industry, consisting of large-scale spinning units and composite mills, is responsible for nearly majority of installed capacity of the yarn production and the unorganized sector, consisting of small-scale spinning units, accounts for rest of the capacity. This leads to highly fragmented industry structure having high level of competition and intense pricing pressures. All this contributes towards lower margins for companies engaged in the industry.

Key Rating Strengths

Experienced promoters

The overall operations of the company are looked after by Mr. Rishab Jain, and Mr. Shvaita Jain having total experience of more than 10 years and 5 years, respectively, which they have gained through their association with RCP and other group concerns. The promoters have adequate acumen about various aspects of business which is likely to benefit RCP in the long run. Furthermore, the promoters are supported by experienced team having varied experience in the field of technical, marketing and finance aspects of business.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE publications

Analytical Approach: Standalone

Applicable criteria

[Policy on Withdrawal of ratings](#)

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

[Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology for Manmade Yarn Manufacturing](#)

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

About the Company

The entity was initially incorporated as a private limited company by the name of "Sham Asset Restructuring and Management Company Private Limited in September 29, 1995. Later, its name was changed to Shagun Shoes Private Limited. However, in January 21, 2014, the company was purchased by its current promoters and was named "Rishab Cotspin Private Limited" (RCP). The company is currently being managed by Mr. Rishab Jain, and Mr. Shvaita Jain. RCP was initially engaged in trading of knitted fabric and acrylic yarn. However, from February 2018 onwards, the company commenced manufacturing of acrylic yarn at its manufacturing facility located at Ludhiana, Punjab.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	36.19	30.16	NA
PBILDT	3.06	3.14	NA
PAT	0.15	0.20	NA
Overall gearing (times)	4.23	4.99	NA
Interest coverage (times)	1.72	1.78	NA

A: Audited; Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: ACUITE has maintained its credit ratings assigned to the bank facilities of RCPL under Issuer Not Cooperating category vide press release dated December 24, 2021.

Any other information: Not applicable

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

Covenants of rated instrument/facility: Please refer Annexure 3

Complexity level of various instruments rated for this Company: Please refer Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B+; Stable (24-Dec-20)	1)CARE B+; Stable (13-Nov-19)	-
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (24-Dec-20)	1)CARE B+; Stable (13-Nov-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

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