Ramayani Creations

March 29, 2017

Rating

Bank Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	15	**CARE B+; ISSUER NOT COOPERATING (Single B Plus; ISSUER NOT COOPERATING)**	Issuer not cooperating
Total	**15 (Rupees Fifteen crore only)**		

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ramayani Creations, to monitor the rating(s) vide e-mail communications/ letters dated March 11, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Ramayani Creations, bank facilities will now be denoted as **CARE B+; 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.***

Detailed description of the key rating drivers

At the time of last rating in January 14, 2016, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Post implementation project risk associated with newly setup debt-funded manufacturing unit: The firm had incurred an expenditure of Rs.12.87 crore for setting up of unit and the same has been funded through term loan of Rs.8.50 crore and balance is funded through partners contribution (including unsecured loans) and term loans of Rs.4.37 crore and Rs.8.50 crore respectively. The firm commenced its commercial operations from September, 2015. Being a new unit, the stabilization and streamlining of production remains to be seen. Furthermore, the operations of the firm are at a nascent stage and have achieved a total operation income of Rs.3.50 crore from September 01, 2015 till December 31, 2015.

Presence in highly fragmented and competitive industry: The readymade garment industry is highly fragmented and is characterized by low entry barriers as it is the least capital intensive part of the textiles value chain. There are more than 8,000 exporters registered with Apparel Export Promotion Council (AEPC). CARE Research estimates the Indian apparel exports to grow at a CAGR of 9 per cent to about Rs. 928 billion in FY16. The growth would primarily be driven by the increasing shift of the apparel industry from the developed western nations (traditional exporting destinations) to the other non-traditional markets. Currently, India's exports are mainly directed to the traditional markets – US and EU and now, with these regions turning into matured markets, the growth in apparel imports is expected to slow down. Also, with the hovering concern over the economic condition in these regions, India needs to look at the other potential markets for apparel exports. With the growing concern over the rising production cost in China, India stands a good opportunity to increase its share in the global apparel market.

Presence in a fragmented and cyclical textile processing industry along with associated regulatory risk: The textile processing industry is highly fragmented in nature due to the presence of large number of unorganized players leading to high competition in the industry. Smaller standalone processing units are more vulnerable to intense competition, which constrains their profitability as compared to larger integrated textile companies who have better operating efficiencies. The profitability of SPL thus remains susceptible to any adverse fluctuations in the raw material prices (including prices of dyes & chemicals). Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles. The prices of raw materials and finished goods are also determined by global demand-supply scenario. Hence, any shift in the macroeconomic environment globally would have an impact on the domestic textile industry. The textile processing units use various chemicals for dyeing and printing process, which generate polluted water and air that needs to be treated before their disposal. Hence, textile processing units require compliance with stringent pollution control norms set by the regulatory authorities and any violation in compliance with these norms or any further strengthening of these norms may adversely impact SPL's operations.

Constitution of the entity being a partnership firm: RMC constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Key Rating Strengths

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Experienced partners in textile industry: RMC is promoted by Mr Jitender Bansal, Mr Sanjeev Jindal, Mr Vipin Mehta and Mr Sunil Gupta. Mr Jitender Bansal, Mr Sanjeev Jindal and Mr Vipin Mehta have more than one and a half decade of experience in manufacturing of readymade garments through their association with Instyle Embroideries Private Limited (ISE), engaged in similar line of business. Mr Sunil Gupta also has close to two decades of experience in textile industry through his association with other family concern i.e. Shubh Laxmi Embroideries. Furthermore, being a group entity, RMC is expected to benefit from the marketing setup and established relationships of ISE with its customers and suppliers which has been in the textile industry since, 1998.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
CARE's Methodology – Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company
Bhiwadi-based, (Rajasthan) RMC was established as a partnership firm in 2015, by Mr Jitender Bansal, Mr Sanjeev Jindal, Mr Vipin Mehta and Mr Sunil Gupta with equal profit loss sharing ratio. RMC was established with an objective to manufacture readymade garments for ladies. The firm is setting up a manufacturing unit at Bhiwadi, Rajasthan. The commercial operations are expected to commence from June, 2015. The main raw material of the firm is cotton yarn which would be procured from various spinning mills across the country. The company would cater to domestic as well as international market. The firm is setting up the manufacturing unit with total project cost of Rs.12.87 crore which is to be funded through partner's contribution(including unsecured loans) and term loans of Rs.4.37 crore and Rs.8.50 crore respectively.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.*

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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.

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-Term Loan	-	-	-	12.50	CARE B+; ISSUER NOT COOPERATING
Fund-based - LT-Cash Credit	-	-	-	2.50	CARE B+; ISSUER NOT COOPERATING

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	12.50	CARE B+; ISSUER NOT COOPERATING	-	1)CARE B+ (27-Jan-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	2.50	CARE B+; ISSUER NOT COOPERATING	-	1)CARE B+ (27-Jan-16)	-	-

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