

Rathi Style And Textile Private Limited

April 02, 2019

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	5.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	5.00 (Rs. Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Rathi Style And Textile Private Limited to monitor the rating(s) vide e-mail communications/letters dated March 11, 2019, February 13, 2019 and January 02, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. 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. Further Rathi Style And Textile Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its rating agreement. The rating on Rathi Style And Textile Private Limited's bank facilities will now be denoted as **CARE B; 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 ratings.

The rating assigned to the bank facilities of Rathi Style And Textile Private Limited (RSTPL) is constrained by moderate scale of operations coupled with moderate capitalization, thin operating margin and low net profit margin, moderately leveraged capital structure and weak debt coverage indicators, stretched liquidity position and presence in highly fragmented and competitive textile industry.

The above constraints are partially offset by experienced and resourceful promoter in the apparel trading industry.

Going forward, the ability of the company to increase its scale of operations along with improvement in profitability margins & capital structure and efficient management of the working capital requirements would be the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on April 17, 2018 the following were the rating strengths and weaknesses: (updated for the information available from Registrar of Companies):

Key rating Weakness

Moderate scale of operations coupled with moderate capitalization: The total operating income has reflected a fluctuating trend in past (FY15-18) on account of fluctuation in the prices of traded goods. Further total operating income has significantly improved by 249.82% and stood at Rs.342.39 crore in FY18 (vis-à-vis Rs.86.76 crore in FY17) owing to higher demand received from existing customers coupled with addition of new customers. Further the tangible networth of the company stood moderated at Rs.3.65 crore in FY18 (vis-à-vis Rs.1.19 crore in FY17). The moderate scale coupled with low networth base limits the entity's financial flexibility in times of stress and deprives it from scale benefits.

Thin operating margin and low net profit margin: Due to the trading nature of the business, the company has historically earned low profitability margins, wherein the margins are inherently low due to low value addition. Despite significant improvement in total sales in FY18, the PBILDT margin remains flat at 0.07% during FY18 (vis-à-vis 0.07% in FY17) mainly on account of increase in employee cost along with increase in other expenses cost (mainly utility charges). However owing to higher interest cost the PAT margin of the company has deteriorated marginally by 3bps and stood at 0.02% in FY18 (vis-à-vis 0.05% in FY17) on account of working capital limit. However its operating and profit margins continues to remain low.

Moderately leveraged capital structure and weak debt coverage indicators:

The capital structure of the has marginally deteriorated marked by overall gearing of 1.09x times as on March 31, 2018 (vis-à-vis 0.91x times as on March 31, 2017) on account of higher utilization of working capital limits. Further debt service coverage indicators deteriorated and stood weak marked by total debt to GCA at 54.24 times in FY18 (vis-à-vis 26.22

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

times in FY17) on account of increase in debt level coupled with low profit margins owing to trading nature of the business. Moreover owing to increase in interest cost the interest coverage ratio also deteriorated and stood at 1.75x times in FY18 (vis-à-vis 53.09x times in FY17).

Stretched liquidity position: The liquidity position of the company is remained moderately weak marked by stretched current ratio of 1.15x times and quick ratio of 1.13x times as on March 31, 2018, owing to trading nature of business where most of the funds are blocked in debtors. Investment in NWC as % TCE remained at 77.14% as on March 31, 2018. Further cash flow from operations remained negative during FY18.

Presence in highly fragmented industry leading to stiff competition: RSTPL operates in highly fragmented, organized and unorganized market of textile industry marked by large number of small sized players. The industry is characterized by low entry barrier due to minimal capital requirement and easy access to customers and supplier. Also, the presence of big sized players with established marketing & distribution network results into intense competition in the industry.

Key rating Strengths

Experienced and resourceful promoter in the apparel trading industry: Mr. Chaina Ram Saini and Ms. Monika Bhatte have good experience in this domain and looks after the overall management of the firm. Further, the directors are supported by a team of qualified managerial personnel having long standing experience in the industry. Further the promoters are resourceful and supporting the business through infusion of equity capital on year on year basis.

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to credit ratings](#)

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

[CARE's Rating Methodology - Wholesale Trading](#)

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

About the company

Rathi Style And Textile Private Limited (RSTPL) was incorporated in the year 2012 as a private limited company and currently the entire operations are handled by Mr. Chaina Ram Saini & Ms. Monika Bhatte. The actual operations of the company have started since FY15. RSTPL is engaged in trading of readymade garments for women namely kurtis, leggings, and western top and others. The company procures traded goods from the local market based in Maharashtra & Gujarat. RSTPL sells its products in Maharashtra & Gujarat and generates ~100% of its revenue from domestic market.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	86.72	342.39
PBILDT	0.06	0.23
PAT	0.04	0.07
Overall gearing (times)	0.91	1.09
Interest coverage (times)	53.09	1.75

A: Audited

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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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.

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	-	-	-	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B; Stable (17-Apr-18)	-	-	-

**Issuer did not cooperate; Based on best available information*

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