

Rathi Style And Textile Private Limited

April 17, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.00	CARE B; Stable (Single B; Outlook: Stable)	Assigned
Total Facilities	5.00 (Rs. Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Rathi Style And Textile Private Limited (RSTPL) is constrained by fluctuating albeit moderate scale of operations coupled with low capitalization, thin operating margin and profit margin, comfortable 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 Key rating drivers

Key rating Weakness

Fluctuating albeit moderate scale of operations coupled with low capitalization: The total operating income has reflected a fluctuating trend in past (FY15-17) on account of fluctuation in the prices of traded goods. The total operating income grew on y-o-y basis by 17.49% from Rs.73.81 crore in FY16 to Rs.86.72 crore in FY17 on account of increase in the number of orders received from existing customers coupled with addition of new customers. Nevertheless, the scale of operations continues to remain moderate with relatively low tangible net-worth base of Rs.1.19 crore as on March 31, 2017. 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 profit margin: The operating margins of the company remained low in the range of 0.03 – 0.07% during last three years ended as on March 31, 2017 owing to trading nature of business, wherein the margins are inherently low due to low value addition. Further PBILDT margin has improved by 4bps from 0.03% in FY16 to 0.07% in FY17 due to better sales realization, however it continues to remain low. Further due to no external debt and trading nature of operation it has no interest and depreciation expenses.

Comfortable capital structure and weak debt coverage indicators: The capital structure of the company stood comfortable marked by overall gearing of 0.91x as on March 31, 2017 (vis-à-vis 7.14x as on March 31, 2016) on account of improvement profitability coupled with infusion of equity share capital at premium amounting to Rs.1.13 crore during FY17. The debt service coverage indicators remained leveraged marked by weak total debt to GCA at 26.22 times as on March 31, 2017 (vis-à-vis 12.358 times as on March 31, 2016) on account of infusion of unsecured loan amounting to Rs.0.92 crores during FY17 to fund the business operations.

Stretched liquidity position: The liquidity position of the company is remained moderately weak marked by stretched current ratio of 1.05x times and quick ratio of 1.03x times as on March 31, 2017, owing to trading nature of business where most of the funds are blocked in debtors. Investment in NWC as % TCE remained at 99.78% as on March 31, 2017. Further cash flow from operations remained negative during FY17.

Presence in highly fragmented and competitive textile industry: 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.

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

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's Methodology for Trading Companies](#)

[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)	FY16 (A)	FY17 (A)
Total operating income	73.81	86.72
PBILDT	0.02	0.06
PAT	0.01	0.04
Overall gearing (times)	7.14	0.91
Interest coverage (times)	NM	NM

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.

Analyst Contact:

Name: Ms. Ruchi Shroff

Tel: 022-67543554

Email: ruchi.shroff@careratings.com

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

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

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	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 851111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691