

## Rathi Style And Textile Private Limited

May 25, 2020

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	5.00	<b>CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer Not Cooperating; Revised from CARE B; Stable on the basis of best available information
<b>Total Facilities</b>	<b>5.00 (Rupees Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 02, 2019, placed the rating(s) of Rathi Style And Textile Private Limited (RSTPL) under the 'issuer non-cooperating' category as Rathi Style And Textile Private Limited had failed to provide information for monitoring of the rating. Rathi Style And Textile Private Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated April 17, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The revision in rating factors in significant decrease in the scale of operations and highly elongated working capital cycle during FY19. CARE also views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on April 02, 2019 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 significantly declined by 86.86% and stood at Rs.44.98 crore in FY19 (vis-à-vis Rs.342.39 crore in FY18). Further the tangible networth of the company stood small at Rs.3.63 crore as on March 31, 2019 (vis-à-vis Rs.3.65 crore as on March 31, 2018). 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:*** However despite significant decline in total sales in FY19, the PBILDT margin has improved by 109 bps and stood at 1.16% during FY19 (vis-à-vis 0.07% in FY18) mainly on account of decrease in raw material consumption cost as a percentage of total operating income from 99.73% in FY18 to 97.28% in FY19 coupled with decrease in power and fuel cost and selling expenses. However, despite increase in interest cost during the FY19, the net profit margin of RSTPL has improved by 14 bps and stood at 0.16% in FY19 (vis-s-vis 0.02% in FY18) owing to improvement at operating profit margin. However it profit margins continues to remain low.

***Moderately leveraged capital structure and weak debt coverage indicators:*** The overall gearing has improved and stood at 0.60x times as on March 31, 2019 (vis-à-vis 1.09x times as on March 31, 2018) on account of lower utilization of working capital limits. However, due to high creditor's level, the total outside liabilities to tangible networth stood relatively high at 2.30x as on March 31, 2019. Moreover, despite improvement in the total debt to GCA at 29.34x times in FY19 (vis-à-vis 54.24x times in FY18) on account of reduction in debt level; the same continue to remain high. Owing to increase in interest cost the interest coverage ratio deteriorated and stood at 1.24x times in FY19 (vis-à-vis 1.75x times in FY18).

***Stretched liquidity position:*** The liquidity position of the company is remained moderately weak marked by moderate current ratio of 1.44x times and quick ratio of 1.32x times as on March 31, 2019, owing to trading nature of business where

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

most of the funds are blocked in debtors. The collection period has significantly deteriorated to 145 days in FY19 from 27 days in FY18. Moreover, the creditors period has also significantly elongated to 106 days in FY19 from 24 days in 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](#)

[Rating Methodology - Wholesale Trading](#)

[Criteria for Short Term Instruments](#)

[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. RSTPL was promoted by Mr. Mahesh Kumar Rathi. Later on and Mr. Vijay Tanwar, Mr. Chaina Ram Saini and Ms. Monika Bhatte joined as additional directors as on December 01, 2014, December 30, 2016 and February 01, 2017 respectively. Further Mr. Mahesh Kumar Rathi & Mr. Vijay Tanwar resigned as on February, 2017, 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)	FY18 (A)	FY19 (A)
Total operating income	342.39	44.98
PBILDT	0.23	0.52
PAT	0.07	0.07
Overall gearing (times)	1.09	0.60
Interest coverage (times)	1.75	1.24

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

**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; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information

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**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	5.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B; Stable; ISSUER NOT CO-OPERATING* (02-Apr-19)	1)CARE B; Stable (17-Apr-18)	-

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**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA**

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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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.

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