

## Ronak Processors Private Limited

February 02, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	13.68	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
<b>Total facilities</b>	<b>13.68</b> <b>(Rupees Thirteen crore and sixty eight lakh only)</b>		

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

The rating of Ronak Processors Private Limited (RPPL) continues to remain constrained on account of its modest scale of operations and its financial risk profile marked by moderate solvency position and moderate liquidity profile. The rating, further, continues to remain constrained due to its presence in the highly fragmented textile industry with limited presence in the textile value chain.

The rating, however, continues to derive strength from vast experience of the promoters in the textile industry with established track record of operations and established marketing network. The rating, further, continues to derive comfort due to location advantage by virtue of being situated in the textile cluster of Bhilwara and moderate profitability margins.

The ability of the company to improve its overall financial risk profile with improvement in the scale of operations and solvency position would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weakness

##### ***Moderate solvency position***

The solvency position of the company stood moderate marked by an overall gearing of 1.82 times as on March 31, 2017, Further, the debt coverage indicators stood moderate with total debt to GCA at 6.82 times as on March 31, 2017. Furthermore, the interest coverage ratio stood comfortable at 3.04 times as on March 31, 2017.

##### ***Stressed liquidity position***

Overall liquidity position of RPPL remained stressed with 80% utilization of working capital bank borrowing for the past 12 months ended December 31, 2017 and elongated working capital cycle mainly due to higher collection period. Due to it, the current ratio stood moderate, however, quick ratio stood below unity due to higher inventory period.

#### Key Rating Strength

##### ***Experienced promoters with established track record of operations***

Mr. K.C. Baheti, the key promoter, has an extensive experience in this domain of around four decades and looks after the overall management of the company. He is assisted by his son, Mr. Vishal Baheti who has 15 years of experience in the textile industry and is involved in taking the strategic decision of the company.

##### ***Improvement in Total operating income (TOI) with moderate profitability margins***

TOI of the company has grown at a Compounded Annual Growth Rate (CAGR) of 12.05% during FY15-FY17 on account of increase in processing income. During FY17, TOI of the company increased by 9.85% in FY17 vis-a-vis FY16 and stood at Rs.39.87 crore. RPPL has reported PBILDT and PAT margin of 9.61% and 1.19% respectively during FY17.

**Analytical Approach:** Standalone

#### Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology-Manufacturing companies](#)
**About the Company**

Bhilwara (Rajasthan) based Ronak Processors Private Limited (RPPL) was initially formed as Bohar Synthetics Private Limited by Bohara family. Subsequently, there are changes in the promoters and in 2008, Mr. K.C. Baheti, Mr. Vishal Baheti and Mr. Ramji Lal Gujar took over the company and assumed its current name. RPPL is engaged in the business of processing and dyeing of synthetic grey fabrics on job work basis as well as in the trading of finished fabrics. The processing facility of the company is located at Bhilwara district in Rajasthan with an installed capacity of 31 Lakh Meters per Month (LMPM) as on March 31, 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	36.30	39.87
PBILDT	2.82	3.83
PAT	0.36	0.47
Overall gearing (times)	1.99	1.82
Interest coverage (times)	3.23	3.04

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

**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](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:**

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.

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**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	-	-	-	0.21	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	November, 2020	3.44	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	February, 2023	2.24	CARE BB; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB; Stable (10-Feb-17)	1)CARE BB (22-Mar-16)	-
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE BB; Stable	-	1)CARE BB; Stable (10-Feb-17)	1)CARE BB (22-Mar-16)	-
3.	Fund-based - LT-Term Loan	LT	3.44	CARE BB; Stable	-	1)CARE BB; Stable (10-Feb-17)	1)CARE BB (22-Mar-16)	-
4.	Fund-based - LT-Term Loan	LT	2.24	CARE BB; Stable	-	-	-	-

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