

The Rajaratna Mills Private Limited

October 30, 2020

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.72	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	10.29	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	44.01 (Rs. Forty-Four Crore and One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 02, 2019, placed the rating(s) of The Rajaratna Mills Private Limited (TRMPL) under the 'Issuer non-cooperating' category as TRMPL had failed to provide information for monitoring of the rating. TRMPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 23, 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.

Detailed description of the key rating drivers

At the time of last rating on August 02, 2019 the following were the rating strengths and weaknesses updated for the information available from Registrar of Companies).

Key Rating Weakness

Working capital intensive nature of operations resulting in elongated operating cycle

The operations of the firm continues to working capital intensive in nature. The operating cycle deteriorated from 104 days in FY18 to 115 days in FY19 at the back of increase in inventory period from 72 days in FY18 to 86 days in FY19.

Key Rating Strengths

Long operational track record

TRMPL has an established track record of more than 50 years in yarn spinning. The company has over the years modernized its mills to maintain and improve its productivity.

Improved profitability margins during FY19

The PBILDT margin has improved by 103 bps from 8.34% in FY18 to 9.37% in FY19. Further, the PAT margin also improved by 139 bps from 0.92% in FY18 to 2.31% in FY19 at the back of increase in PBILDT levels in absolute terms followed by decrease in interest costs.

Improved capital structure and debt coverage during FY19.

The capital structure though leverged, improved, marked by overall gearing ratio of 2.86x as on March 31, 2019 as against 3.06x as on March 31, 2018, at the back of increase in tangible net worth albeit increase in total debt. Despite increase in total debt, debt coverage indicators marked by total debt/GCA improved from 9.68x in FY18 to 8.02x in FY19 on account of increase in gross cash accruals. Further the interest coverage ratio stood comfortable at 2.89x as on March 31, 2019.

Growth in total operating income

The total operating income of the company increased by 6.70% from Rs.113.52 crore in FY18 to Rs.121.13 crore in FY19.

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

*Issuer did not cooperate; Based on best available information

Vast experience of the promoters and the management team and established network:

Mr J.Thulasidharan, the present MD, has more than three decades of experience in the textiles industry. The management team of TRMPL comprise of experienced personnel, some of whom have been associated with the company since its inception.

Analytical Approach: Standalone

Applicable Criteria

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

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

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

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology –Manufacturing companies](#)

[Rating Methodology –Cotton Textile Manufacturing](#)

About the Company

The Rajaratna Mills Pvt. Ltd. (TRMPL), engaged in the manufacture and marketing of cotton yarn, was established by Mr M.Janakirama Kullama Naicker and Mr Rajaratna Kullama Naicker in the year 1954 as a public limited company and was later converted into a private limited company in 2001. Mr L. Jaganath (son-in-law of Mr M. Janakirama Kullama Naicker) took over the management of TRMPL as Chairman cum Managing Director in 1997. At present, the company's operations are actively managed by Mr J. Thulasidharan (S/o Mr L. Jaganath), Managing Director, Ms Nikenantha Thulasidharan (D/o Mr Thulasidharan), Director and Mr Sailendra Thulasidharan, (S/o Mr Thulasidharan), Director. TRMPL commenced commercial production of yarn in 1955 from its ring spinning unit at Neikarapatti (in Palani, TN). The company did not avail any moratorium on its existing bank facilities amid COVID-19 RBI guidelines.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	113.52	121.13
PBILDT	9.47	11.35
PAT	1.05	2.80
Overall gearing (times)	3.06	2.86
Interest coverage (times)	2.24	2.89

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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
Non-fund-based - ST-Letter of credit	-	-	-	5.34	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Apr-2021	8.72	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	10.30	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	4.95	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	14.70	CARE BB-; Stable; ISSUER NOT COOPERATING*

*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 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.	Non-fund-based - ST-Letter of credit	ST	5.34	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (02-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE A4 (26-Apr-17)
2.	Fund-based - LT-Term Loan	LT	8.72	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Aug-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE BB-; Stable (26-Apr-17)
3.	Fund-based - LT-Cash Credit	LT	10.30	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Aug-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE BB-; Stable (26-Apr-17)
4.	Non-fund-based - ST-Bank Guarantees	ST	4.95	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (02-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE A4 (26-Apr-17)
5.	Fund-based - LT-Cash Credit	LT	14.70	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Aug-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Apr-18)	1)CARE BB-; Stable (26-Apr-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple
4.	Non-fund-based - ST-Letter of credit	Simple

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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