



## Rating Rationale

### Rajashree Spintex Pvt Ltd

30 Dec 2020

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹14.86 Crores of Rajashree Spintex Pvt Ltd ('RSPL' or 'the Company')

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July 2019)	Present
Fund based	16.60	14.51	Long Term	BWR BB (Stable)	BWR BB (Stable) (Reaffirmed)
Non Fund Based	0.45	0.35	Short Term	BWR A4+	BWR A4+ (Reaffirmed)
<b>Total</b>	<b>17.05</b>	<b>14.86</b>	<b>INR Fourteen Crores and Eighty Six Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-1

#### RATING ACTION / OUTLOOK

BWR believes that Rajashree Spintex Pvt Ltd. business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY20 and projected financial of FY21 and publicly available information and clarifications as provided by the Company's management.

The rating reaffirmation has factored the industry experience of promoters and management, long operational track record of the company with established clientele and moderate financial risk profile of the company. The ratings are, however, constrained by moderate revenue scale in a highly fragmented industry, working capital intensive nature of operations, susceptibility of profit margins to volatile raw material prices and overall impact of the Covid-19 pandemic on the general business environment.



## DESCRIPTION OF KEY RATING DRIVERS

### Credit Strengths:

- Promoters of the Company, Mr. B Anandhakumar and Mr. E Dhamodharan have more than two decades of industry experience. Being established in 2001, the company benefits from the long standing relationships with its suppliers and customers.
- For the year FY20(audited), the net worth of the company stood at Rs.26.06 Crs. Debt equity remains comfortable at 0.32 times. The debt protection metrics of the company are moderate with DSCR and ISCR at 3.08 times and 7.77 times.

### Credit Risks:

- The company was incorporated in the year 2001. Considering their long standing tenure, the scale of the operations of the company are modest. The company's risk profile continues to remain moderate, reflected by the modest scale of operations of Rs.72.78 in FY20.
- RSPL's profitability remains exposed to volatility in cotton prices since cotton is stocked during the harvest season from October to March. The commoditised nature of its products and intense competition constrains it from fully passing on any increase in raw material prices to its end customers, which may adversely impact its profitability.
- The company operates in a highly competitive and unorganized market. Also contributing to the credit risk is the slowdown faced by the Textile industry coupled with Covid-19 led lock down has severely impacted the overall industry. The demand for this sector is expected to be reduced over the medium term, with limitations in discretionary spending by the public in general.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyper linked detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

The ability of the company to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities.

**Positive:** The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement.

**Negative:** The rating may be downgraded if the revenues go down and profit margins show lower than expected figures.

## LIQUIDITY POSITION

The company's liquidity profile is adequately driven by a current ratio of 1.42 times in FY20 as compared to 1.10 times in FY19. Cash and Cash Equivalents were Rs.0.06 cr.in and Net cash accruals/Total Debt was 0.72 times as on 31 Mar 2020 .The debt protection metrics of the company are moderate with DSCR and ISCR at 3.08 times and 7.77 times.in FY20.



## COMPANY PROFILE

Rajashree Spintex Pvt. Ltd.(RSPL) based at Rajapalayam, Tamilnadu, was set up in 2001 as partnership firm and later reconstituted to a private limited company in 2003. The company is engaged in manufacturing and selling of cotton yarn. The production unit of the Company is located in Virudhunagar, Tamil Nadu with an installed capacity of around 35,000 Spindles and 416 rotors. It also has 4 windmills at various places for generating electricity, utilised for captive consumption.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Operating Revenue	₹ Cr	78.37	72.78
EBITDA	₹ Cr	8.82	7.76
PAT	₹ Cr	3.14	3.37
Tangible Net worth	₹ Cr	22.69	26.06
Total Debt/Tangible Net worth	Times	0.84	0.32
Current Ratio	Times	1.10	1.42

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL**

## RATING HISTORY FOR THE LAST THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

S.No	Facility	Current Rating (2020)			Rating History		
		Type	Amount (₹ Crs)	Rating	July 2019	April 2018	July 2017
1.	Fund Based	Long Term	14.51	BWR BB (Stable) Reaffirmed	BWR BB (Stable)	BWR BB (Stable)	BWR BB (Stable)
2.	Non Fund Based	Short Term	0.35	BWR A4+ Reaffirmed	BWR A4+	BWR A4	BWR A4
	<b>Total</b>		<b>14.86</b>	<b>₹ Fourteen Crores and Eighty Six Lakhs Only</b>			

Rating advisory was published on 18 Sep 2020

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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### Rajashree Spintex Pvt.Ltd.

#### ANNEXURE I

#### Details of Bank Facilities rated by BWR

SL.No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Karur Vysya Bank	Cash Credit	12.00	-	12.00
2		Term Loan	0.95	-	0.95
3		ECGL- Covid-19 loan	1.56	-	1.56
4		Bank Guarantee	-	0.20	0.20
5		CEL	-	0.15	0.15
INR Fourteen Crores and Eighty Six Lakhs Only					14.86

Note: CEL - Credit Exposure Limit

\*Term Loans o/s as on 30.11.2020



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