

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 7.80 Cr of Rajneesh Spinners Private Limited

Brickwork Ratings has assigned the following **Ratings**¹ for the Bank Loan Facilities of Rajneesh Spinners Private Limited (RSPL) sanctioned by State Bank of Patiala:

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	4.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Term Loan	3.70		
Bank Guarantee	0.10	Short Term	BWR A4 (BWR A Four)
Total	7.80	INR Seven Crores and Eighty Lakhs only	

Note: Term loan is the outstanding from State Bank of Patiala as on 11th November, 2013.

BWR has principally relied upon the audited financial results of FY11, FY12, FY13, estimates for FY14 and projected financials of FY15, publicly available information and information/clarifications provided by the Company's management.

The ratings, factors in the present promoters' experience in similar line of business, their competence in acquiring RSPL - a loss making unit and converting it into profit making, doubling the turnover in FY13 although at lower levels in a competitive environment. The ratings however, is constrained by low tangible net worth, thin profitability margins, stretched liquidity ratio, restricted customer base, viability of different entities formed by the present promoter over the years, and intense competition from organized and unorganized players in the industry.

Background:

Rajneesh Spinners Private Limited (RSPL), was incorporated on April 27, 2005 by Mr. Satish Kumar Sharma, Mr. Tushar Kumar Chandra, Mr. Jayesh Kumar Chandra and Mr. Ashwani Kumar as a private limited Company with its registered office at Shastri nagar, Delhi and manufacturing plant located at Mohali, Punjab. In May 2012, RSPL was acquired by Mr. Anil Kumar and Mrs. Geetha with the objective to foray their proficiency in the manufacturing segment. The products manufactured by the Company are carded cotton hosiery yarn and carded cotton (TFO-Two For One) double yarn, with 11088 ring frame spindles installed in the production unit, utilised at 98%. The present manufacturing capacity is 6000Kg/day and is utilized at around 80%. The major raw material being used is J-34 RG. It procures the raw materials from few suppliers located in Haryana and Punjab, and has a restricted base of customers which needs to be expanded. RSPL has 60 permanent employees.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile:

Mr.Anil.Jain, Mrs.Geetha Jain, Mr.Ashwani Kumar and Mr.Satish Sharma are the Directors of the Company. The Directors are graduates and have more than two decades of experience in the industry.

Mr Anil Jain has been associated in this trade since 1988, through manufacture of Hosiery garment partnering with his brother in M/s Arihant Hosiery; trading of hosiery yarn since 1993 in his proprietorship concern M/s Arihant Yarn Agencies, trading of cotton yarn since 2005 by incorporating a Company M/s Avi-Ansh Enterprises Private Limited; trading of cotton yarn in Arihant Yarnfab Private Limited, Mr. Anil Jain along with Mrs Geetha Jain has also formed two more Companies called M/s G.A. Alloys and M/s S.J Metals Private Limited which are under construction phase.

Financial Performance:

During FY13, the net revenue from operations increased to ₹9.34Cr from ₹4.26Cr in FY12. Majority of the revenues has been to one of its promoters' concern. Although turned profitable in FY13, it is at lower levels with operating profit margin of 0.09 per cent and net profit margin of 0.01 per cent. The current ratio of 1 times can be partially set off by improvement in the operating cycle for FY13 over FY12. The Company has low debt of 0.60 times in FY13 but has been estimated at more than 2 times. The tangible net-worth is ₹6.55Cr for FY13. The Company has achieved ₹12.00Cr revenue for the period April 2013 to Nov 2013 and is estimated at ₹30.54Cr for FY14 by spreading its customer base. The Company received TUFF subsidy of ₹0.54Cr provided for during FY13, and expects to receive another ₹0.12Cr by Dec 2013.

Rating Outlook:

Going forward, the ability of the Company to achieve its projected turn over, improve its profitability margins and the liquidity ratio, expand its customer base, strengthen its capital structure will remain the key rating sensitivities to sustain in a competitive environment. The feasibility of investments by the promoter in various entities need to be efficiently managed.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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