



Rating Rationale

Rihanna Industries

28 Dec 2017

Brickwork Ratings assigns ratings for the short term bank loan facilities of Rihanna Industries.

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	*Rating Assigned
Fund Based CCOL	10.50	Long Term	BWR B+ (pronounced as BWR Single B Plus) Outlook : Stable
Fund Based Term Loan(o/s)	0.47		
Total	Rs 10.97 Crores (INR Ten Crores and Ninety Seven Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has assigned Long Term rating of BWR B+ (Outlook: Stable) for loan facilities of Rihanna Industries.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating of *Rihanna Industries* (‘the firm), BWR has factored in the firm’s operating revenues, solvency position, debt protection metrics, liquidity position, constitution of the firm and profit margins. The rating is constrained by proprietorship constitution of the firm, high gearing, deteriorated net profit margins and low current ratio. The ratings, however, draw comfort from improved turnover, beside experience of the proprietor in the same line of business.

Credit Weakness:

- **High gearing:** Firm has low net worth (which has declined in FY17) in comparison to



the total outstanding liabilities, thereby resulting in high gearing (TOL/TNW) of 20.30x. Further, share capital has declined from Rs 1.10 Cr in FY16 to Rs 0.91 Cr in FY17.

- **Low current ratio:** Firm's current ratio is at 1.08x in FY17, thereby weakening the firm's ability to pay its short term obligation through current assets.
- **Constitution:** Being a proprietorship firm, it is exposed to inherent risks of the partner's capital being withdrawn at a time of personal contingency, risk of dissolution and restricted avenues to raise capital which could prove a hindrance to its growth.

Key Rating Strengths:

- **Improved Turnover:** Turnover of the firm has been increased from Rs 39.89 Cr in FY16 to Rs 44.46 Cr in FY17 and growth is consistent over the last 3 years. As per confirmation from the firm, turnover achieved by the firm till 8MFY18 is Rs 35.56 Cr.
- **Experienced Proprietor:** Mr. Avnish Agarwal, an MBA from IIT Kharagpur, has more than a decade of business experience in garment manufacturing.

Analytical Approach:

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 hyperlinked below.

Rating Outlook: Stable

BWR believes the *Rihanna Industries'* 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.

About the Firm

Rihanna Industries has been established in 2011 by Mr. Avnish Agarwal. The firm is located at Ludhiana having area of 9000 sq. feet area and is engaged in manufacturing the readymade garments for established brand names. It is a proprietorship firm and Sh. Avnish Agarwal is the proprietor of the firm.

Company's Financial Performance



Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Rs. Crores	39.89	44.46
EBIDTA	Rs. Crores	1.32	1.71
PAT	Rs. Crores	0.30	0.31
Tangible Networth	Rs. Crores	1.40	1.22
TOL : TNW Ratio	Times	11.27	20.30
Current Ratio	Times	1.26	1.08

Total operating income of the firm has improved from Rs 39.89 Cr in FY16 to Rs 44.46 Cr in FY17 and PAT is stagnant at Rs 0.31 Cr in FY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY 2018)			Rating History	
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016
1.	CCOL	Long Term	10.50	BWR B+	NA	NA
2.	Term Loan (o/s)		0.47			
	Total	Rs 10.97 Crores (INR Ten Crores and Ninety Seven Only)				

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information - NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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