Rating Rationale

Rosy Hi Tech Spinning Mills

21 Aug 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 14.25 Crores of Rosy Hi Tech Spinning Mills.

Particulars

Facility Rated	Amount (₹. Cr)		Tenure	Rating*		
	Previous	Present		Previous to previous (Mar, 2017)	previous (Aug 2018)	Present
Fund Based (FB)						
OD	5.00	5.00	**Long Term**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook: Stable)**	**Rating Not Reviewed**	**BWR D** (Pronounced as BWR D) (Downgraded)
FBWC	9.00	9.00				
Term Loan	0.36	0.25				
Total Limits	**14.36**	**14.25**	**(INR Fourteen Crores and Twenty Five Lakhs Only)**			

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

Note : sanction of working capital limit is expired on 2.11.2017 but the renewal process is yet to be completed

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, management certified provisional financials of FY18 and projections upto FY20, publicly available information and information/ clarifications provided by the management.

The revision of rating takes into account the experience of the proprietor, relationship with the suppliers and customers, increased operating profit margin and constrained by reduced revenues, reduced net profit margin, high gearing level, weak debt protection metrics, inherent risk ,Gap risk and delayed servicing of accrued interest and high conversion cycle.

Going forward the ability of the firm, to increase its scale of operations, improve revenue, profit margins , gearing level and servicing the debt obligations on time would remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:
Proprietor's experience is 15 years , relationship with suppliers and customers is about 5 years , operating profit margin increased from 3.37% in FY17 to 4.02% in FY18 provisional

Credit Risks:
Revenue is decreased from Rs 60.72 Crs in FY17 to Rs 58.24 Crs Fy18 , net profit margin is reduced 0.83% in FY17 to).44% in FY18 , gearing level is at 3.29x in FY18 , debt coverage indicator is at 0.91 X in FY18 , servicing of interest on facilities is delayed in past and also July 2018 along with instalment of term loan for July 2018 , Inherent risk being the proprietorship firm as a constitution and gap risk between the provisional and audited financials of FY 18

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Firm
M/s Rosy Hi Tech Spinning Mills 'the firm is a proprietorship concern that is engaged in the business of manufacturing of Polyester yarn and Acrylic yarn. It was established in 2013. The proprietor of the firm is Mr. Indermeet Singh. Factory is situated at Ludhiana.

Financial Performance of the Firm
Net sales has increased from Rs.48.57 crs in FY16 to Rs.60.72 crs in FY17. Net profit decreased from Rs.0.60 crs in FY16 to Rs.0.51 crs in FY17. On provisional basis, the firm has achieved the revenue of Rs.58.24 crs with a net profit of Rs.0.26 crs. in FY18.

Rating History for the last three years

Si No	Facility	Current Rating (Year 2018)				Rating History		
		Type	Amount (₹ Crs)	Rating	7.8.2018	18.3.2017	2016	2015
	Fund Based (FB)							
1	OD	Long Term	5.00	BWR D (Pronounced as BWR D) (Downgraded)	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)	Not Rated	Not rated
2	FBWC		9.00					
3	Term Loan		0.25					
	Total Limits		14.25	(INR Fourteen Crores and Twenty Five Lakhs Only)				

Status of non-cooperation with previous CRA nil
Any other information : Nil

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Revenue	Rs. Crs	48.57	60.72
EBITDA	Rs. Crs	1.86	2.05
PAT	Rs. Crs	0.60	0.51
Tangible Net worth	Rs. Crs	6.53	4.49
Total Debt/Tangible Net worth	Times	1.21	2.76
Current Ratio	Times	1.46	2.66

Hyperlink/Reference to applicable Criteria

- General Criteria

- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh *CGM-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.