



## Press Release

### Rawalwasia Textile Industries Private Limited

July 20, 2020

#### Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facility - Cash Credit*	30.00	IVR BBB-/ Stable outlook (IVR Triple B Minus with stable outlook)	Assigned
2.	Short Term Facility – Derivative Limit	1.50	IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>31.50</b>		

\*Sub-limit: Letter of Credit of INR 30.00 crore

#### Details of Facilities are in Annexure I

#### Detailed Rationale

The rating derives strength from experienced promoters, Established relationship with its customers as well as reputed & diversified client base, Growing top line coupled with improving Profitability, Strong debt protection metrics and healthy capital structure. However, these strengths are, partially offset by highly competitive industry with low entry barriers.

#### Key Rating Sensitivities

**Upward rating factor(s)** – Substantial & sustained improvement in revenue and profitability while maintaining the debt protection metrics. may lead to a positive rating action

**Downward rating factor(s)** – Any deterioration in revenue and/or profitability leading to deterioration in debt protection metrics may lead to a negative rating action

#### Key Rating Drivers with detailed description



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### **Key Rating Strengths**

#### **Experienced promoters**

The promoters of Rawalwasia Textile Industries Private Limited have a long track record of more than three decades in the textile and coal trading segment. The business was originally started by Mr. Hanuman Prasad Agarwal, who looked after the Rawalwasia Group, which is now handled by his two sons, Samir and Sumit Agarwal. They have an industry experience of more than 20 years. In 1987, the group started its business by manufacturing texturized & sized yarn as well as fabric dyeing & printing. Thus, the promoters have a good understanding about the type of boilers used in the business, leading to an in depth understanding of customer needs. Promoters are supported by the team of experienced & qualified professionals.

#### **Established relationship with its customers as well as reputed & diversified client base**

The promoters having an in-depth understanding of the boilers leads them to provide technical solutions & advises to its customers' coal requirements resulting in the company having established relationships with its customers.

The company has a highly diversified client base. As, it caters to various sectors such as chemical, cement, pharmaceuticals and paper industries amongst others. The top 5 customers of the company accounted for ~19.30% of total sales in FY19 and ~33.51% of total sales of FY20.

#### **Growing top line coupled with improving profitability**

The Total Operating Income of the company grew at CAGR of ~52.82% from FY17 to FY20 due to an increase in the trading activities and catering to an increased clientele base. Since FY19, the company has increased its reach and now catering to corporate clients of various industrial segments such as textile, paper, chemicals, cement and pharmaceutical companies amongst others, leading to an increase in a year on year sales growth of ~180.77% in FY19 and ~6.03% in FY20.

The company's EBITDA grew at a CAGR of ~167.65% from FY17 to FY20. The year on year growth of EBITDA for FY19 and FY20 was ~463.80% and 28.27% respectively. The



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company's EBITDA and PAT margins have improved from 1.57% and 1.62% in FY18 to that of 3.14% and 2.01% in FY19 and further to 3.80% and 2.16% in FY20 respectively.

### **Strong debt protection metrics and healthy capital structure**

RTIPL has a strong debt protection metrics and a healthy capital structure marked by an interest coverage of 3.46x in FY19 and 5.50x in FY20, Long Term Debt to Equity of 0.23x and an overall gearing ratio of 1.18x as on March 31, 2020. The TOL/TNW as on account closing day of FY19 and FY20 was 3.11x and 1.29x respectively. As on account closing day of FY20, the total debt to GCA and long term debt to EBITDA were 4.18x (5.29x for FY19) and 0.48x (0.23x for FY19), respectively.

### **Key Rating Weaknesses**

#### **Highly competitive industry with low entry barriers**

The company is exposed to the risk of losing market share to other organised & unorganised players. Furthermore, the entry barriers of the industry of the coal trading business are low, however, the success ratio for this industry also remains low due to lack of adequate expertise in dealing with clients and in-depth technical know-how of the business.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

Rating Methodology for Trading Entities

Financial Ratios & Interpretation (Non-Financial Sector)

#### **Liquidity – Adequate**

The company does not have any term loans while the current and quick ratios for as on account closing day of FY19 were 1.35x and 1.09x respectively. The same has improved for FY20 wherein the current and quick ratios stand at 2.14x and 1.82x respectively. The cash and bank balances (includes restricted cash) as on the last day of FY19 and FY20 was INR 3.40 crore and INR 5.25 crore respectively. The average bank limit utilisation of the company is ~76.05% in the last twelve months ended May 2020. Since, the entity is carrying on a trading business,



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the profitability margins are moderate. However, the cash accruals are sufficient to ensure servicing of the interest outgo. The overall liquidity of the company is **Adequate**.

### About the Company

Rawalwasia Textile Industries Private Limited (RTIPL) established on 27th January, 1988 based out of Surat, Gujarat, belongs to the Rawalwasia Group having 3 companies under its roof. The other companies, Rawalwasia Yarn Dyeing Private Limited (RYD) and Rawalwasia Minerals Private Limited (RMPL) are into Manufacturing of texturized & Sized Yarn, Russell Knitted (Lace Knitted Fabric) & Trading of coal. The company's branches are in Surat, Vapi, Ahmedabad and Gandhidham.

### Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	246.27	261.11
EBITDA	7.74	9.93
PAT	5.00	5.65
Total Debt	26.98	24.13
Tangible Net worth	14.77	20.42
EBIDTA Margin (%)	3.14	3.80
PAT Margin (%)	2.01	2.16
Overall Gearing Ratio (x)	1.83	1.18

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** CARE Ratings in its press release dated June 21, 2019 has migrated the rating of Rawalwasia Textile Industries Private Limited to "Issuer Not Cooperating" category.

**Any other information:** N.A.

### Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstandi	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)



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			ng (INR crore)		assigned in 2020-21	assigned in 2019-20	assigned in 2018-19
1.	Long Term Fund Based Facility - Cash Credit	Long Term	30.00	IVR BBB-/ Stable outlook (IVR Triple B Minus with stable outlook)	--	--	--
3.	Short Term Facility – Derivative Limit	Short Term	1.50	IVR A3 (IVR A Three)	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Team:

Name: Mr. Miraj Bhagat	Name: Mr. Amit Bhuwania
Tel: (022) 62396023	Tel: (022) 62396023
Email: <a href="mailto:mbhagat@infomerics.com">mbhagat@infomerics.com</a>	Email: <a href="mailto:abhuania@infomerics.com">abhuania@infomerics.com</a>

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	--	1 year MCLR + 3.25% + Strategic Premium	Revolving	30.00	IVR BBB-/ Stable outlook (IVR Triple B Minus with stable outlook)
Short Term Facility – Derivative Limit	--	--	-	1.50	IVR A3 (IVR A Three)