

February 27, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	8.00	SMERA A4 (Assigned)
Packing Credit (Proposed)	4.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of R K & Company (RKC). The rating is constrained by the firm's weak financial risk profile, low net profit margin and working capital-intensive operations. The rating notes that the firm operates in an intensely competitive segment of the fashion accessories industry. The rating is also constrained by the susceptibility of the firm's profit margins to forex fluctuation risk. The aforementioned weaknesses are partially offset by the firm's experienced management and healthy revenue growth.

RKC, established in 1986, is a Delhi-based proprietorship firm engaged in manufacturing and export of fashion accessories. RKC's weak financial risk profile is marked by high gearing of 3.90 times as on March 31, 2014 and moderate interest coverage ratio of 1.58 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's net profit margin is low at 1.40 per cent in FY2013-14. RKC's operations are working capital-intensive, as reflected in stretched working capital cycle of 104 days in FY2013-14. The firm operates in an intensely competitive segment of the fashion accessories industry. RKC's profit margins are susceptible to fluctuations in forex rates.

RKC benefits from its experienced management. Mr. R. K. Tandon, proprietor of RKC, has around three decades of experience in the firm's line of business. RKC's revenue has increased at a healthy compound annual growth rate (CAGR) of 35 per cent during FY2010-11 to FY2013-14.

About the firm

RKC, established in 1986, is a Delhi-based proprietorship firm promoted by Mr. R. K. Tandon. RKC is engaged in manufacturing and export of fashion accessories for men and women. The firm's product portfolio includes fashion bags, scarves and shawls.

For FY2013-14, RKC reported net profit of Rs.0.50 crore on total income of Rs.35.94 crore, as compared with net profit of Rs.0.22 crore on total income of Rs.19.10 crore in FY2012-13. RKC's net worth stood at Rs.3.51 crore as on March 31, 2014, as compared with Rs.3.12 crore a year earlier.

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SMERA RATINGS LIMITED

R K & Company (RKC)

Rating Rationale

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