

May 15, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.10	SMERA BB+/Stable (Assigned)
FDB/FBE	2.50	SMERA A4+ (Assigned)
Packing Credit	3.00	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)
Bank Guarantee	0.20	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.7.80 crore bank facilities of Ramjee Leathers and Supplies (RLS). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management and reputed clientele. The ratings also draw comfort from the firm's healthy financial profile and efficient working capital management. However, the ratings are constrained by the firm's small-scale operations. The ratings note that the firm's profit margins are susceptible to raw material price volatility and forex fluctuation risk. The ratings are also constrained by the firm's exposure to intense competition.

RLS, established in 1991, is a Chennai-based partnership firm engaged in manufacturing and export of leather garments. RLS benefits from its experienced management. The partners of the firm have around 25 years of experience in the leather industry. RLS has long-standing relations with several reputed customers such as Diesel and Lee Cooper.

RLS has a healthy financial risk profile marked by comfortable operating profit margin of 8.72 per cent (FY2013-14), low debt-to-capital ratio 0.31 times (as on March 31, 2014) and strong interest coverage ratio of 4.17 times in FY2013-14. The firm's efficient working capital management is reflected in working capital cycle of 36 days (in FY2013-14) and low bank limit utilisation of 28.82 per cent during February 2014 to January 2015.

RLS has small-scale operations marked by operating income of Rs.40.15 crore in FY2013-14. The firm's profit margins are susceptible to raw material price volatility and forex fluctuation risk. RLS faces intense competition from several players in the leather apparels business.

Outlook: Stable

SMERA believes RLS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and reputed clientele. The outlook may be revised to '**Positive**' in case the firm registers higher-than-expected revenue while maintaining a healthy financial risk profile. The outlook may be revised to '**Negative**' in case of decline in the firm's revenue, or in case of deterioration in the firm's financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

RLS, established in 1991, is a Chennai-based partnership firm engaged in manufacturing and export of leather garments. The firm's main export markets include USA, UK, Czech Republic, Sweden, Russia and Italy.

For FY2013-14, RLS reported profit after tax (PAT) of Rs.2.39 crore on operating income of Rs.40.15 crore, as compared with PAT of Rs.3.43 crore on operating income of Rs.45.02 crore in FY2012-13. The firm's net worth stood at Rs.21.92 crore as on March 31, 2014, as compared with Rs.19.15 crore a year earlier.

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