

January 2, 2014

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	5.00	SMERA BB- / Stable(Assigned)
Foreign Documentary Bills for Purchase (FDBP)	1.00	SMERA BB- /Stable(Assigned)
Letter of Credit	0.35	SMERA A4+ (Assigned)
Proposed Long Term facility	3.65	SMERA BB- /Stable(Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA Double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A Four plus**) to the Rs.10.00 crore bank facilities of J.J. Expo-Impo (JJEI). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations, high leverage, moderate debt coverage indicators and reduction in capital. The ratings are further constrained by the firm's exposure to foreign exchange fluctuation risk and intense competition prevalent in the textile industry. However, the ratings are supported by the firm's experienced management and reputed clientele.

JJEI, established in 1986, is a Delhi-based firm engaged in manufacturing and export of ladies garments. JJEI has a small scale of operations with revenues of Rs.26.25 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm's leverage is high at 3.41 times as on March 31, 2013. JJEI's interest coverage ratio is moderate at 2.66 times in FY2012-13. The firm's capital decreased from Rs.2.73 crore as on March 31, 2012 to Rs.2.28 crore as on March 31, 2013 due to withdrawal of funds for investment in group entity — Rama Tech India Private Limited. The aforementioned investment is likely to appear in JJEI's financial statements in FY2013-14.

JJEI mainly caters to customers based in USA and Europe. The firm does not hedge its foreign exchange exposure and is thus susceptible to adverse movements in foreign exchange rates. Further, JJEI faces intense competition from several small-sized players in the unorganized sector of the textile industry.

JJEI benefits from its experienced management. Mr. Pawan Singhania, Proprietor of JJEI, has around two decades of experience in the firm's line of business. JJEI caters to several reputed customers including Arcadia-Top Shop (UK), Ware House Fashion Limited (UK) and Temperley London.

### Outlook: Stable

SMERA believes JJEI will maintain a stable business risk profile in the medium term on the back of its experienced management and established associations with customers. The outlook may be revised to 'Positive' in case the firm expands its scale of operations while registering better profit

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margins and achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure or in case of adverse economic conditions in the firm's key markets.

### About the firm

JJEI, established in 1986, is a Delhi-based proprietorship firm promoted by Mr. Pawan Singhania. JJEI is engaged in manufacturing and export of ladies garments. The firm caters to customers based in U.S.A. and Europe.

For FY2012-13, JJEI reported PAT of Rs.1.14 crore on operating income of Rs.26.25 crore, as compared with PAT of Rs.0.95 crore on operating income of Rs.21.78 crore for FY2011-12. The firm's net worth stood at Rs.2.28 crore as on March 31, 2013, as compared with Rs.2.73 crore a year earlier.

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