

July 20, 2015

Facility	Amount (Rs. Crore)	Rating
Export Packing Credit/Bank Guarantee	6.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of R and R Impex Private Limited (RIPL). The rating is constrained by the company's weak financial risk profile, low net profit margin and working capital-intensive operations. The rating notes that the company operates in an intensely competitive segment of the readymade garments industry. The rating is also constrained by the susceptibility of the company's profit margins to forex fluctuation risk. The aforementioned weaknesses are partially offset by the company's experienced management.

RIPL, established in 2003, is a Delhi-based company engaged in the manufacture and export of readymade garments. The company's weak financial risk profile is marked by high leverage (TOL/TNW) of 5.74 times as on March 31, 2014 and moderate interest coverage ratio of 1.85 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 1.55 per cent in FY2013-14. RIPL's operations are working capital-intensive, as reflected in its stretched working capital cycle of 400 days in FY2013-14. The firm operates in an intensely competitive segment of the readymade garment industry. RIPL's profit margins are susceptible to fluctuations in forex rates.

However, RIPL benefits from its experienced management. Mr. & Mrs. Manchanda, directors of RIPL, have around three decades of experience in the company's line of business.

About the Company

RIPL, established in 2003, is a Delhi-based company promoted by Mr. & Mrs. Manchanda. The company is engaged in the manufacture and export of readymade garments for women.

For FY2013-14, RIPL reported net profit of Rs.0.24 crore on total income of Rs.15.54 crore, as compared with net profit of Rs.0.17 crore on total income of Rs.12.17 crore in FY2012-13. The company's net worth stood at Rs.3.09 crore as on March 31, 2014, as compared with Rs.2.85 crore a year earlier.

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SMERA RATINGS LIMITED

R andR Impex Private Limited (RIPL)

**Rating
Rationale**

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