

Press Release

R and R Impex Private Limited (RRIPL)

May 22, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.7.00 Cr
Short Term Rating	SMERA A4 (Suspension Revoked, Rating Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned the short term rating of **'SMERA A4' (read as SMERA A4)** on the Rs.7.00 crore bank facilities of R and R Impex Private Limited (RRIPL). The outlook is **'Stable'**.

RRIPL, established in 2003, is a Delhi-based company promoted by Mr. Rajender Singh Manchanda and Mr. Baljeet Singh. The company is engaged in the manufacture and export of readymade garments for women with their manufacturing facility in Delhi. The company procures raw materials from the domestic market and also imports from China. The finished products are sold in the local market in Delhi as well as exported to countries such as Canada, USA, China, Italy etc.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management: RRIPL was incorporated in the year 2003. The promoters Mr. Rajender Singh Manchanda and Mr. Baljeet Singh have long experience of more than three decades in the ladies wear industry which has helped them to develop and maintain comfortable relationships with their suppliers and customers.

Reputed clients: The Company has long association with reputed clients like Guess Worldwide, Urban, Anthropology, Windeson Trademark Pvt. Ltd. among others.

Weaknesses:

Modest financial risk profile: The Company has modest financial profile marked by high gearing, moderate coverage indicator, low networth base and modest debt protection metrics. The firm has high gearing at 2.49 times in FY15-16 against 1.88 times in FY14-15. The company's net worth stood at Rs. 3.68 crore against the total debt of Rs. 9.15 crore in FY16. The interest coverage ratio stood at 1.85 times in FY15-16 against 1.84 times in FY14-15. The networth of the firm is low at Rs.3.68 crore in FY15-16 against Rs.3.34 crore in FY14-15. The net cash accrual (NCA)/total debt (TD) is low at 0.06 times in FY15-16 against 0.08 times in FY14-15. The company has achieved the operating income of ~Rs. 14.48 crore in FY16-17.

Working capital intensive business: The working capital intensity of the entity is marked by high gross current asset (GCA) days of 453 in 2015-16 as against 454 days in the preceding year. The elongation in the working capital in the FY2016 has been mainly due to high

inventory of the company which stood at 212 days as compared to 226 days in the previous year. The debtor's days has increased from 176 days in FY14-15 to 217 days in FY15-16.

Exposure to foreign currency fluctuations: Exports account for a significant proportion (90 per cent) of the total sales, which is expected to increase further going forward, the profitability margins of the company remain susceptible to foreign exchange fluctuations, though the same is largely mitigated by the company's policy of hedging its export receivables.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes RRIPL will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its reputed clientele and experienced management. The outlook may be revised to 'Positive' in case of substantial growth in revenues while improving their financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the Rated Entity

RRIPL, established in 2003, is a Delhi-based company promoted by Mr. Rajender Singh Manchanda and Mr. Baljeet Singh. The company is engaged in the manufacturing and export of readymade garments for women with their manufacturing facility in Delhi.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.18.37 crore, as compared with PAT of Rs.0.27 crore on operating income of Rs.16.33 crore in FY2014-15. The net worth stood at Rs.3.68 crore as on March 31, 2016 against Rs.3.34 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Packing Credit	ST	3.00	SMERA A4 (Suspension Revoked, Rating Assigned)	Sep 22, 2016	SMERA A4 (Suspended)	July 20, 2015	SMERA A4 (Assigned)	-	-
Foreign Discounting Bill#	ST	4.00	SMERA A4 (Suspension Revoked, Rating Assigned)	-	-	-	-	-	-

#Sub limit – for discounting bills drawn on M/s Manjeet International PLC-USA)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Packing Credit	N.A	N.A	N.A	3.00	SMERA A4 (Suspension Revoked, Rating Assigned)
Foreign Discounting Bill#	N.A	N.A	N.A	4.00	SMERA A4 (Suspension Revoked, Rating Assigned)

#Sub limit – for discounting bills drawn on M/s Manjeet International PLC-USA)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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