

January 19, 2016

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	15.00	SMERA BB/Stable (Assigned)
Letter of Credit	2.00	SMERA 4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Rainbow Stones Private Limited (RSPL). The outlook is '**Stable**'. The ratings draw support from an experienced management, moderate financial profile marked by comfortable coverage indicators and the forward integration of the company into granite processing and polishing. However, the ratings are constrained by the moderate scale of operations and the competitive and fragmented granite industry that is closely linked to the cyclical real estate sector.

Outlook: Stable

SMERA believes that RSPL will continue to benefit over the medium term from the experienced management. The outlook may be revised to 'Positive' in case of significant improvement in revenue and operating profitability leading to considerably large cash accruals. Conversely, the outlook may be revised to 'Negative' if the company's profitability leads to lower than expected cash accruals.

Rating Sensitivity Factors

- Expanding scale of operations while improving profitability
- Managing working capital requirements

About the Company

RSPL, incorporated in 2006 is a Hyderabad-based company promoted by Mr. Bathula Venkat Reddy and Mr. Sagar Reddy Chapala. The company exports granite slabs and blocks to US and Europe. The processing unit is located at Hosur.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.34.68 crore as compared with PAT of Rs.0.40 crore on operating income of Rs.3.15 crore for FY2013-14.

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SMERA RATINGS LIMITED

Rainbow Stones Private Limited (RSPL)

*Rating
Rationale*

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