

February 22, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B/Stable (Assigned)
Packing Credit	5.00	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B** (read as SMERA B)' to the Rs.3.00 crore fund based facility and '**SMERA A4** (read as SMERA A four)' to the Rs.5.00 crore non-fund based bank facility of Radnik Auto Exports (RAE). The outlook is '**Stable**'. The ratings are constrained by the fluctuating top line, weak financial profile of the firm marked by constrained cash flows and weak debt coverage indicators. The ratings are further constrained by the competitive and fragmented nature of the garment industry. However, the ratings derive comfort from the extensive experience of the promoters in garment exports and reputed clientele.

Outlook: Stable

SMERA believes RAE will maintain a stable business risk profile in the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while improving debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Top line Fluctuation

About the Company

RAE, established in 2007, is an Uttar Pradesh-based partnership firm engaged in the manufacture and sales of bags (back-packs/shoulder bags) and Autosock (tyre covers for snowy roads). While RAE bags are targeted at the domestic as also the export market, Autosock is only for exports. The company's customers for bags include reputed brands such as Decathlon, Reebok and Adidas. In FY2015, RAE set up a production facility in Greater Noida for manufacture of bags. Autosock is exported mainly to Japan, Norway and European countries.

For FY2014-15, the company reported profit after tax (PAT) of Rs. (4.92) crore on operating income of Rs.17.29 crore as compared with PAT of Rs. 0.81 crore on operating income of Rs.25.76 crore for FY2013-14. The company's net worth stood at Rs.5.61 crore as on March 31, 2015 as compared with Rs.8.58 crore a year earlier.

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