



SMERA RATINGS LIMITED

Rajdhani Crafts Industries Private Limited (RCIPL)

*Rating
Rationale*

March 14, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Term Loan	1.31	SMERA BB-/Stable (Assigned)
Overdraft	12.20	SMERA BB-/Stable (Assigned)
Packing Credit*	22.00	SMERA A4+ (Assigned)
Letter of Credit/Bank Guarantee	1.00	SMERA A4+ (Assigned)

*Interchangeable with Cash Credit

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.18.51 crore long-term fund based facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.23.00 crore short-term non-fund based bank facilities of Rajdhani Crafts Industries Private Limited (RCIPL). The outlook is '**Stable**'.

To arrive at the ratings, SMERA has combined the business and financial risk profiles of RCIPL and Rajdhani Crafts (RC), together referred to as the 'Rajdhani Group'. The consolidation is in view of the common ownership and similar business models of the entities.

The ratings draw support from the group's long track record of operations, experienced management and moderate financial risk profile. However, the ratings are constrained by the working capital intensive nature of business amidst intense competition in the furniture industry. The ratings are also constrained by the group's exposure to geographic concentration risk as around 70 per cent of the revenue is generated through exports to Europe.

Outlook: Stable

SMERA believes that the company will maintain a stable business risk profile due to the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of significant increase in the group's revenue along with stable profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if the group undertakes significant debt-funded capital expenditure or experiences considerable pressure on operating margins.

Rating Sensitivity Factors

- Scaling up of operations
- Efficient working capital management
- Geographical diversification

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the Group

The Jaipur-based Rajdhani Group, established in 1964, is engaged in the manufacture and export of wooden furniture products and handicraft items. The group has two entities viz. Rajdhani Crafts Industries Private Limited and Rajdhani Craft.

For FY2014–15, the Rajdhani Group reported net profit after tax of Rs.1.85 crore on total income of Rs.47.45 crore, as compared with net profit after tax of Rs.1.90 crore on total income of Rs.52.01 crore in FY2013–14. The group registered revenue of ~Rs.44.00 crore (provisional) from April 2015 to December 2015. The group's net worth stood at Rs.30.54 crore as on March 31, 2015, as compared with Rs.29.38 crore a year earlier.

About the Company

RCIPL, part of the Rajdhani Group was established in 2009. The company headed by Mr. Samir Agarwal and Mr. Sudhir Agarwal, manufactures and exports artistic wooden products and handicraft items.

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