

Reliable Clothing Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating
Packing credit	5.00	SMERA A4 (Assigned)
Foreign Bill Discounting/Purchase (Under LC)	3.00	SMERA A4 (Assigned)
Foreign Bill Discounting/Purchase	4.00	SMERA A4 (Assigned)

SMERA has assigned short term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Reliable Clothing Private Limited (RCPL).

The rating is constrained by the decline in revenues, susceptibility to foreign exchange fluctuation risk and moderate financial risk profile. The rating also factors in the vulnerability of profitability to volatility in raw material prices and working capital intensive operations. However, the rating draws comfort from the company's established track record of operations and experienced management.

RCPL is a Mumbai-based company engaged in the manufacturing and export of woven and knitted garments. The company's revenues declined from Rs.40.55 crore in FY2013-14 to Rs.31.44 crore in FY2015-16 (provisional). The EBITDA margins moderated from 11.51 per cent in FY2013-14 to around 9.01 per cent in FY2015-16 (provisional). Further, the margins of RCPL are susceptible to volatility in raw material prices.

The company has moderate financial risk profile marked by gearing of 3.12 times as on March 31, 2016 (provisional). The operations of the company are working capital intensive as reflected in gross current asset days of around 170 – 180 during the period under study. Further, the working capital limits of the company are also fully utilised.

However, RCPL benefits from the established track record of operations and experienced management. Mrs. Colette D'lima and Mr. Aaron D'lima (Directors) have over two decades of experience in the textile industry.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

RCPL, incorporated in 2009 took over the textile business of group entity, Reliable Export established in 1984. RCPL is engaged in the manufacture and export of woven and knitted garments.

For FY2014-15, RCPL reported net loss of Rs.0.62 crore on operating income of Rs.30.82 crore, as compared with profit after tax (PAT) of Rs.1.34 crore on operating income of Rs.40.55 crore in FY2013-14. Further, as per provisional financials for FY2015-16, RCPL reported net profit of Rs.0.91 crore on operating income of Rs.31.44 crore.

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ABOUT SMERA

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