

Press Release

Rashi Granite Exports India Limited (RGEIL)

12 January, 2017

Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs.21.96 Cr |
| Long Term Rating | SMERA BB/Stable (Assigned) |
| Short Term Rating | SMERA A4+ (Assigned) |

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.21.96 crore bank facilities of Rashi Granite Exports India Limited (RGEIL). The outlook is '**Stable**'. Promoted by Mr. R. K. Kandoi and Mrs. Madhu Kandoi, the company is engaged in the processing and export of granite slabs. From 2016, the company has also begun manufacturing of marble slabs.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced promoters: The company has been processing and exporting granite slabs since the last 15 years. RGEIL also benefits from its experienced promoters. Mr. R. K. Kandoi and Mrs. Madhu Kandoi, Directors, collectively possess around three decades of experience in granite processing.

Comfortable financial risk profile: The company has comfortable financial risk profile marked by low gearing of 0.48 times as on 31 March, 2016 and moderate coverage indicators with interest coverage ratio of 3.71 times for FY2015-16.

Diversified customer base: The company has a diversified customer profile and does not supply more than 10 per cent of its total sales to a single customer.

Weaknesses:

Modest scale of operations: The operating income has declined to Rs.35.62 crore in FY2015-16 from Rs.45.14 crore in the previous year on account of slowdown in orders and lower realisation for granite slabs. As communicated by the management, the company has registered operating income of Rs.21.64 crore from April, 2016 to December, 2016. RGEIL operates in a fragmented granite processing industry at Bengaluru.

Working capital intensive operations: The operations are working capital intensive with high gross current asset days of 461 for FY2016 mainly on account of high inventory of finished goods. Moreover, it imports around 53 per cent of its purchases from Brazil, Norway, Africa and China. Since the time-lag between placing the order and delivery is six months, the company places orders in bulk resulting in high inventory.

Susceptibility of profitability to fluctuations in raw material prices and forex rates: The company's profit margins are exposed to fluctuations in forex rates. While the company exports 100 per cent of its sales to Europe, Middle East, USA and other countries, it imports 53 percent of its raw material from Brazil, Norway, Africa and China. However, the above risk is mitigated by forward contract limit of Rs.48.00 crore.

Substantial advances extended to a group company: RGEIL has extended an advance of Rs.12.23 crore as on 31 March, 2016 to one of its group companies, which is a significant part of the networth.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that RGEIL will maintain a stable outlook and benefit from its established track record in the granite processing industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenue and maintains adequate profitability, effectively managing the working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue or profitability. Any deterioration in the liquidity position and financial risk profile may also entail a 'Negative' outlook.

About the Company

RGEIL, incorporated in 2001, is a Bangalore-based company engaged in the processing and export of granite slabs. Promoted by Mr. R. K. Kandoi and Mrs. Madhu Kandoi, the company has also begun processing of marble slabs from 2016. The manufacturing facility is located at Bengaluru and has an installed capacity of 4,50,000 square metres for granite slabs and tiles.

For FY2015-16, RGEIL reported profit after tax (PAT) of Rs.0.82 crore on operating income of Rs.35.62 crore, as against PAT of Rs.1.41 crore on operating income of Rs.45.14 crore in FY2014-15. The net worth stood at Rs.39.74 crore as on March 31, 2016 against Rs.37.97 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): CRISIL, vide release dated December 07, 2016 has suspended its ratings on account of lack of adequate information required for monitoring of ratings.

Any other information: Not Applicable

Rating History for the last three years:

| Name of Instrument /Facilities | 2017 | | | 2016 | | 2015 | | 2014 | |
|--|-------|--------------------|----------------------------|------|--------|------|--------|------|--------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Export Packing Credit/ Pre-shipment Credit in Foreign Currency/ Foreign Bill Discounting / Export Bill Rediscounting | ST | 5.00^ | SMERA A4+ (Assigned) | - | - | - | - | - | - |
| Dropline Overdraft | LT | 10.00 | SMERA BB/Stable (Assigned) | - | - | - | - | - | - |
| Letter of Credit | ST | 5.00^ | SMERA A4+ (Assigned) | - | - | - | - | - | - |
| Bank Guarantee | ST | 1.00^ | SMERA A4+ (Assigned) | - | - | - | - | - | - |
| Proposed Non Fund Based Facility | ST | 0.96 | SMERA A4+ (Assigned) | - | - | - | - | - | - |

[^]50% two-way interchangeability between Fund Based and Non-Fund based Limits

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

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/ Outlook |
|--|------------------|-------------|----------------|-------------------------------|----------------------------|
| Export Packing Credit/ Pre-shipment Credit in Foreign Currency/ Foreign Bill Discounting / Export Bill Rediscounting | N.A | N.A | N.A. | 5.00^ | SMERA A4+ (Assigned) |
| Dropline Overdraft | N.A | N.A | 31 March, 2025 | 10.00 | SMERA BB/Stable (Assigned) |
| Letter of Credit | N.A | N.A | N.A. | 5.00^ | SMERA A4+ (Assigned) |
| Bank Guarantee | N.A | N.A | N.A. | 1.00^ | SMERA A4+ (Assigned) |
| Proposed Non Fund Based Facility | N.A | N.A | N.A. | 0.96 | SMERA A4+ (Assigned) |

[^]50% two-way interchangeability between Fund Based and Non-Fund based Limits

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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