

Press Release

Reflexions Narayani Impex Private Limited

April 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 11.00 crore bank facilities of Reflexions Narayani Impex Private Limited (RNIPL). The outlook is '**Stable**'.

RNIPL, incorporated in 1994, is a Kolkata based company engaged in manufacturing and export of leather goods. Additionally, the company derives income from lease rental from its commercial property located in Kolkata. The company is promoted by Mrs. Sujata Mukhopadhyay, Mr. Satyabrata Mukhopadhyay and Mr. Rokhsar Parveen.

Incorporated in 2003, Kolkata based Rene Impex Private Limited (RIPL) operates a chain of retail stores dealing in apparels and leather accessories under the brand name of 'Rene'. The company has 8 leading stores in Kolkata - Mani Square Mall, Salt Lake City Centre I, Rajarhat City Centre II, Diamond City North and Rene Tower (Kasba). Additionally, the company also have store at Star Mall (Madhyamgram Junction Mall (Durgapur), Kolkata Airport and Mantri Square (Bengaluru).

Analytical Approach

Acuité has consolidated the business and financial risk profiles of RNIPL and RIPL, together known as Rene group, to arrive at the rating. The consolidation is on account of RIPL being a 100 percent subsidiary of RNIPL, similar line of business and significant operational and financial linkages between the entities.

Key Rating Drivers

Strengths

- **Established position and experienced promoters**

Rene group has an established track record of over two decades in the leather industry resulting in established position. The promoter Mr. Satyabrata Mukhopadhyay has over four decades experience in manufacturing of leather accessories. The extensive experience of promoters has resulted in established relations with reputed clients including Knight and Walker (London), Pelletteria Venate (Italy), K- Plus (South Korea) and Mont Blanc (Germany). Furthermore, the group is operating a chain of retail outlets since 2011.

- **Comfortable financial risk profile**

The financial risk profile of the group is comfortable marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The net worth stood at Rs.63.00 crore as on 31 March, 2018 as against Rs.62.66 crore as on 31 March, 2017. The gearing increased marginally from 0.71 times as on 31 March, 2017 to 0.85 times as on 31 March, 2018. The same is expected to improve with repayment of long term debt in medium term and steady cash accruals. The interest coverage ratio stood at 1.86 times in FY2018 as against 2.66 times in FY2017.

Weaknesses

- **Moderate working capital nature of operations**

Rene group's working capital nature of operations is moderate marked by Gross Current Asset (GCA) of 155 days in FY2018 as against 162 days in FY2017 on account of significant inventory pile up in RIPL. The group has tied up with online platforms such as Flipkart and Amazon apart from conducting clearance sale at its outlets. The same is expected to result in lower GCA days in the medium terms.

- **Modest scale of operations**

Rene group's scale of operations is moderate at Rs.30.93 crore in FY2018 as against Rs.29.17 crore in the previous year. The same is supported by lease rental income from 'Rene Tower' of Rs.10.51 crore in FY2018 as against Rs.11.29 crore in the previous year. Acuité believes the ability of the group to scale up their operations will remain a key monitorable.

Liquidity Profile

The liquidity profile of firm is expected to remain moderate over the medium term. The net cash accruals stood at Rs 2.59 Crore in FY2017-2018 as against repayment obligations of Rs 2.00-2.20 crore. Over the medium term, the net cash accruals are projected to be in range of Rs 3.50-4.50 Crore as against maturing debt obligation of Rs 2.20-2.50 Crore through FY2019-2021. The company avails overdraft facility against fixed deposit of Rs 38.00 Crore which remains fully utilized.

Outlook: Stable

Acuité believes that Rene group will maintain 'Stable' outlook over the medium term from its established position and the promoter's long standing experience in the industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Group

RIPL is part of Rene Group that consists of RIPL and RNIPL. The group is promoted by Mrs. Sujata Mukhopadhyay and Mr. Satyabrata Mukhopadhyay. The group started its operations in 1994 and is engaged in manufacture and export of high end leather accessories. Subsequently, in 2003, the group expanded its line of operation to manufacturing of apparels. Under its brand 'Rene', the group is in process of establishing a chain of retail store dealing in apparels and leather goods with 8 stores in Kolkata and Bengaluru. Additionally, the company derives income from leasing of its commercial space 'Rene Towers'.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	30.93	29.17	29.38
EBITDA	Rs. Cr.	3.56	3.58	4.96
PAT	Rs. Cr.	0.34	5.24	1.14
EBITDA Margin	(%)	11.52	12.27	16.87
PAT Margin	(%)	1.11	17.96	3.88
ROCE	(%)	3.99	8.65	11.80
Total Debt/Tangible Net Worth	Times	0.85	0.71	0.78
PBDIT/Interest	Times	1.86	2.66	1.82
Total Debt/PBDIT	Times	8.04	4.02	5.81
Gross Current Assets (Days)	Days	155	162	223

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Real Estate Sector - <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+

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About Acuité Ratings & Research:

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