

Press Release

Rene Impex Private Limited

December 01, 2021



Rating Upgraded

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	10.00	ACUITE B+ Stable Upgraded	
Total	-	10.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.10.00 Cr. bank facilities of Rene Impex Private Limited (RIPL). The outlook is '**Stable**'.

Rationale for upward revision of ratings

The rating was downgraded to ACUITE B from ACUITE B+ / Stable via rationale dated May 06, 2020. The downgrade was on account of information risk. However, the entity has now cooperated with Acuite in furnishing information required for the review process.

About the Company

RIPL is engaged in the manufacturing of leather products and markets the same across its seven retail stores under the brand 'RENE' across Kolkata and e-commerce websites such as Amazon and Flipkart.

About the Group

Rene Group (RG) consists of Rene Impex Private Limited (RIPL) and Reflexion Narayani Impex Private Limited (RNIPL). The group is promoted by Mrs. Sujata Mukhopadhyay and Mr. Satyabrata Mukhopadhyay. RG started its operations in 1994 and is engaged in the manufacture and export of high-end leather accessories. Subsequently, in 2003, the group expanded its line of operation to the manufacturing of apparel. Under its brand 'Rene', the group is in process of establishing a chain of retail stores dealing in apparel and leather goods with 7 stores in Kolkata. Additionally, the group derives income from leasing its commercial space in 'Rene Towers'.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of RNIPL and RIPL, together known as Rene Group (RG), to arrive at the rating. The consolidation is on account of RIPL being a 100 percent subsidiary of RNIPL, a similar line of business, and significant operational and financial linkages between the entities. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Established position and experienced promoters

RG has an established track record of over two decades in the leather industry resulting in an established position. The promoter Mr. Satyabrata Mukhopadhyay has over four decades of experience in the 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.

Weaknesses

Deterioration in operating performance and financial risk profile

The operating performance of RG has deteriorated on a Y-O-Y basis marked by deterioration in its operating income of Rs.30.25 Cr. in FY2021 (Provisional) as against Rs.42.74 Cr. in FY2020 and profitability indicators marked by EBITDA margins of 7.36 percent in FY2021 (Provisional) as against 12.96 times in FY2020.

This has further resulted in the deterioration of the financial risk profile marked by deteriorating net worth and coverage indicators on a Y-O-Y basis while maintaining stable gearing. The tangible net worth of RG deteriorated to Rs.67.51 Cr. as on March 31, 2021 (Provisional) as against Rs.68.06 Cr. as on March 31, 2020. While RG follows a moderate leverage policy as reflected in its Gearing (Debt to Equity) of 0.98 times and Total Outside Liabilities to Tangible Net Worth (TOL/TNW) of 1.14 times as on March 31, 2021 (Provisional), the coverage indicators have witnessed deterioration on a Y-O-Y basis as visible in its Interest Coverage Ratio (ICR) of 1.53 times in FY2021 (Provisional) as against 2.23 times in FY2020, while its DSCR stood at 0.87 times in FY2021 (Provisional) as against 1.31 times in FY2020. Nonetheless, RNIPL has been able to pay off its term loan in Aug-2021.

Deterioration in working capital management

RG's working capital management has deteriorated on a Y-O-Y basis as reflected in its Inventory holding period of 143 days in FY2021 (Provisional) as against 129 days in FY2020, Debtors' collection period of 21 days in FY2021 (Provisional) as against 3 days in FY2020. Further, the creditors' payment period has also increased significantly to 142 days in FY2021 (Provisional) as against 90 days in FY2020.

The GCA (Gross Current Asset) has increased to 309 days in FY2021 (Provisional) as against 205 days in FY2020, however, this can be attributed to increasing in its cash and bank balances held. The Working capital limits remain utilized at 80 percent for an average of the past six-month period as informed by the banker.

Acuite believes the working capital requirements are expected to remain intensive in the near to medium term unless a significant improvement in the collections period is witnessed by the group.

Liquidity position: Stretched

RG's has stretched liquidity position marked by Net Cash Accruals (NCA) of Rs.1.93 Cr. in FY2021 (Provisional) as against Rs.4.81 Cr. in FY2020 while its maturing debt obligations stood at Rs.2.19 Cr. in FY2021 (Provisional) as against Rs.2.74 Cr. in FY2020. While the lease rentals have been tied to the term loan and have remained adequate to cover TL repayments, the liquidity position remains stretched for operational requirements. Further, The term loan availed by group entity Refelexions Narayani Impex Private Limited (RNIPL) has been paid off in August 2021.

Working capital limits remain utilized at 80 percent for an average of the past six-month period as informed by the banker. Cash and bank balance stood at Rs.3.74 Cr. as on March 31, 2021 (Provisional) while the current ratio of the company stood healthy at 2.12 times as on March 31, 2021 (Provisional). The NCA is expected to be in the range of Rs.2.00-5.00 Cr. during the FY2022-24 period while improving on a Y-O-Y basis.

Acuite believes that the liquidity of the group is expected to improve over the near to

medium term on the back of expected improving business environment.

Rating Sensitivities

- Significant improvement in scale of operations on the back of adequate unexecuted order book, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.

Material covenants

None

Outlook: Stable

Acuité believes that RG will maintain a '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 group achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the group 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.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	30.25	42.74
PAT	Rs. Cr.	(0.55)	2.35
PAT Margin	(%)	(1.81)	5.51
Total Debt/Tangible Net Worth	Times	0.98	0.92
PBDIT/Interest	Times	1.53	2.23

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Aug 2021	Proposed Bank Facility	Long Term	8.00	ACUITE B (Issuer not co-operating*)
	Cash Credit	Long Term	2.00	ACUITE B (Issuer not co-operating*)
06 May 2020	Cash Credit	Long Term	2.00	ACUITE B (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	8.00	ACUITE B (Downgraded and Issuer not co-operating*)
09 Apr 2019	Proposed Bank Facility	Long Term	8.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	2.00	ACUITE B+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.00	8.00	ACUITE B+ Stable Upgraded

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About Acuité Ratings & Research

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