

**February 06, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.03	SMERA BB-/ Stable (Assigned)
Packing Credit	8.55*	SMERA A4+ (Assigned)
Foreign Bill Purchase	3.00**	SMERA A4+ (Assigned)
Standby limit under Gold Card Facility	2.31	SMERA A4+ (Assigned)

\*Includes sub-limit of Rs.4.50 crore cash credit facility

\*\*Interchangeability upto Rs.3.00 crore between packing credit limit and foreign bill purchase allowed

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.0.03 crore long-term bank facility (fund based) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.13.86 crore short-term bank facilities (non-fund based) of Raag Exports Private Limited (REPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations and susceptibility to volatility in raw material prices. The ratings are further constrained by the company's working-capital intensive operations, high leverage and exposure to geographical concentration risk. However, the ratings derive comfort from the company's experienced management, moderate liquidity position and entitlement to export incentives.

REPL, incorporated in 1994, is a Kolkata-based company engaged in manufacturing and export of gloves and aprons made from leather. REPL has a small scale of operations with revenues of Rs.18.46 crore in FY2012-13 (refers to financial year, April 01 to March 31). REPL's profit margins are highly susceptible to volatility in raw material prices as raw material cost accounts for ~85 per cent of the company's total cost of sales.

REPL's operations are working capital-intensive. The company has an extended inventory holding period and a stretched working capital cycle of ~216 days and 265 days, respectively in FY2012-13. REPL's leverage is high at 2.56 times as on March 31, 2013. The company's interest coverage ratio is moderate at 1.66 times in FY2012-13. REPL's customers are concentrated in Europe. Hence, the company's revenues are susceptible to decline in demand for leather accessories in Europe. REPL benefits from its experienced management. Mr. Gora Chand Chatterjee, Director of REPL, has around two decades of experience in the leather accessories industry. REPL has a moderate liquidity position with average working capital limit utilisation of ~93 per cent during April 2013 to November 2013. The company is a recognized 'Export House' and is thus entitled to export incentive schemes proposed by the Ministry of Commerce and Industry, Government of India (GoI).

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**Outlook: Stable**

SMERA believes the outlook on REPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company expands its scale of operations while maintaining a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

**About the company**

REPL, incorporated in 1994, is a Kolkata-based company promoted by Mr. Gora Chand Chatterjee. REPL is engaged in manufacturing and export of leather accessories.

For FY2012-13, REPL reported net profit of Rs.0.47 crore on total income of Rs.18.46 crore, as compared with net profit of Rs.0.42 crore on total income of Rs.14.79 crore for FY2011-12. The company registered revenues of Rs.16.58 crore during April 2013 to November 2013. REPL's net worth stood at Rs.4.50 crore as on March 31, 2013, as compared with Rs.4.09 crore a year earlier.

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