

May 21, 2015

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Term Loan	0.03	SMERA BB-/ Stable (Withdrawn)

**Includes Cash Credit as a sublimit to the extent of Rs.4.50 crore*

***Packing Credit and Foreign Bill Purchase are interchangeable to the extent of Rs.3.00 crore*

SMERA has reaffirmed the ratings of '**SMERA A4+**' on the Rs13.86 crore bank facilities of Raag Exports Private Limited (REPL). The ratings remain constrained by the company's small-scale operations, working capital-intensive business and high leverage (debt-equity ratio). The ratings note that the company's profit margins are susceptible to volatility in raw material prices. The ratings are also constrained by the company's exposure to geographical concentration risk. However, the ratings are supported by the company's experienced management and moderate liquidity position. The ratings also draw comfort from the company's entitlement to export incentives.

Update

REPL reported profit after tax (PAT) of Rs.0.44 crore (provisional) on revenue of Rs.22.49 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.59 crore on revenue of Rs.26.31 crore in the previous year. The company's profit margins are highly susceptible to volatility in material prices, given that raw material cost accounts for ~87 per cent of the total cost of sales.

REPL's working capital cycle is stretched at ~212 days in FY2014-15 on account of inventory holding period of ~177 days. The company's gearing (debt- equity ratio) remains high at 2.07 times (provisional) as on March 31, 2015. REPL's customers are concentrated in Europe. The company's earnings are thus susceptible to decline in demand for leather accessories in the European market.

REPL benefits from its experienced management. Mr. Gora Chand Chatterjee, director of REPL, has around two decades of experience in the company's line of business. REPL's moderate liquidity position is evidenced by comfortable utilisation (~75 per cent) of working capital limit during October 2014 to February 2015. The company is entitled to receive export incentives under schemes proposed by the Ministry of Commerce and Industry, Government of India (GoI).

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SMERA RATINGS LIMITED

Raag Exports Private Limited (REPL)

Rating Rationale

About the company

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

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