



SMERA RATINGS LIMITED

Ram Fashion Exports Private Limited (RFEPL)

*Rating
Rationale*

August 21, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	14.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Packing Credit/Foreign Bill Purchase/Foreign Bill Negotiation	75.00*	SMERA A4+ (Reaffirmed)
Ad-hoc Packing Credit	15.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	4.50	SMERA A4+ (Reaffirmed)
Forward Cover	1.50	SMERA A4+ (Reaffirmed)

*Sublimit for Packing Credit/ Foreign Bill Purchase/ Foreign Bill Negotiation is Rs 67.00 crore

SMERA has upgraded the rating of the above Rs.14.00 crore long-term bank facility to '**SMERA BB' (read as SMERA double B)** from 'SMERA BB-' (read as SMERA double B minus) and reaffirmed the rating of the Rs. 96.00 crore short term bank facilities as '**SMERA A4+' (read as SMERA A four plus)** of Ram Fashion Exports Private Limited (RFEPL).

The rating upgrade reflects improvement in the company's profit margins, gearing levels and coverage indicators. RFEPL reported operating margin of 12.40 per cent (provisional) in FY2014-15 (refers to financial year, April 01 to March 31), as compared with 9.21 per cent in the previous year. The company's net profit margins improved to 2.73 per cent in FY2014-15 from 0.76 per cent in FY2013-14 due to forex gain and marginal decline in employee cost, other manufacturing cost and admin expenses. The gearing level (debt-to-equity) improved to 2.74 times as on March 31, 2015 from 3.01 times as on March 31, 2014 on account of increase in quasi equity from Rs.10.00 crore in FY2012-13 to Rs. 19.00 crore in FY2014-15, which is considered in the tangible net worth of the company. The interest coverage ratio (ICR) improved marginally from 1.70 times in FY2013-14 to 1.73 times in FY2014-15. The debt-service- coverage ratio improved from 1.51 times in FY2013-14 to 1.67 times in FY2014-15.

The above mentioned ratings continue to draw comfort from the company's moderate scale of operations, experienced management and established associations with reputed clientele. However the ratings are constrained by the relatively high gearing and working capital intensive nature of operations. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates.

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Outlook: Stable

SMERA believes RFEPL will continue to benefit over the medium term from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues, profitability or net cash accruals, or in case of stretch in the company's liquidity position. The outlook may also be adversely affected by deterioration in the company's financial risk profile on account of higher-than-envisaged debt-funded capex.

About the Company

RFEPL is a Mumbai-based government recognized export house engaged in the manufacture and export of leather footwear since 1994. The company's major customers are based in France, Spain, Italy, UK, UAE, USA and Canada. RFEPL has two factory units in Mumbai, with total installed capacities of ~21,00,000 pairs of shoes per annum. The overall operations of the company are currently managed by Mr. Suresh Bhasin and Mr. Naresh Bhasin.

The company reported profit after tax (PAT) of Rs. 4.78 crore (provisional) on operating income of Rs. 175.31 crore (provisional) in FY2014-15 as compared with PAT of Rs.1.29 crore on operating income of Rs. 169.89 crore in the previous year.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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