

July 09, 2014

Facilities	Amount (Rs. Crore)	Ratings
FDB/FBE/BRD	100.00	SMERA A-/Stable (Assigned)
Foreign Bills Payable/FBD/FBN/FCBD	60.00	SMERA A-/Stable (Assigned)
Foreign Usance Bill Discounting	100.00	SMERA A-/Stable (Assigned)
Pre/Post Shipment in Foreign Currency	100.00	SMERA A-/Stable (Assigned)
Proposed Cash Credit	140.00	SMERA A-/Stable (Assigned)
Letter of Credit/Bank Guarantee	600.00	SMERA A2+ (Assigned)
Proposed Letter of Credit/Bank Guarantee	100.00	SMERA A2+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA A-**' (read as **SMERA single A minus**) to the Rs.500 crore fund based bank facilities and a short-term rating of '**SMERA A2+**' (read as **SMERA A two plus**) to the Rs.700 crore non-fund based bank facilities of Rajesh Exports Limited (REL). The outlook on the long-term rating is '**Stable**'. The ratings are supported by the company's strong market position, experienced management, stable profit margins, comfortable liquidity position, efficient working capital management and healthy financial risk profile. The ratings are also supported by the company's integrated operations, which cover the entire value chain in the gold industry. However, the ratings are constrained by the company's exposure to customer concentration and geographical concentration risk amidst continued economic uncertainties in the retail segment of the gold industry. The ratings factor in the company's exposure to fluctuations in forex rates.

REL, established in 1990, is a Bangalore-based company engaged in import and export of gold bullion and gold jewellery. REL also retails gold jewellery through 80 retail outlets (73 franchisees and 7 owned outlets) across India. The company is the largest manufacturer and exporter of gold in India, with ~50 per cent share in India's total gold exports. REL's strong market position is reflected in total consolidated revenues of Rs.29,197 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company's revenues increased at a healthy compound annual growth rate (CAGR) of 28 per cent over the last five years. REL benefits from its experienced management. The directors of the company have around two decades of experience in the gold industry. REL has maintained stable net profit margin of ~1.5 per cent during the last three years.

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REL's healthy liquidity position is reflected in average unencumbered cash balance of ~Rs.1,500 crore. The company's net cash accrual to total debt (NCA/TD) ratio is healthy at 0.12 times (provisional) as on March 31, 2014. REL's efficient working capital management arises on account of liberal supplier credit and prompt collection of dues from customers. The company avails credit of 3-4 months from suppliers, while payments from customers are received within 25-30 days. REL's healthy financial risk profile is marked by debt-equity ratio of 1.13 times (provisional) as on March 31, 2014 and interest coverage ratio of 2.16 times (provisional) in FY2013-14. Moreover, the company does not have any long-term borrowing as on March 31, 2014. REL's integrated operations cover manufacturing, refining and retailing of gold. The company is therefore well positioned to meet sudden spurts in demand. REL derives economies of scale from large-scale operations across the entire value chain in the gold industry.

REL is exposed to customer concentration and geographical concentration risk as the company derives ~90 per cent of its total revenues from four customers based in UAE. REL manages its forex exposure through forward contracts.

Outlook: Stable

SMERA believes REL will continue to benefit over the medium term from its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins while maintaining healthy revenue growth and efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's profit margins, or in case of deterioration in the company's financial risk profile on account of stretch in working capital cycle.

About the company

REL was established as a partnership firm (named M/s Rajesh Exports) in 1990. M/s Rajesh Exports was reconstituted as a joint stock company (named Rajesh Exports Limited) on January 25, 1995. REL is engaged in import and export of gold bullion and gold jewellery. The company also retails gold jewellery through 80 retail outlets (named Shubh Jewellers) across India.

REL is the largest importer and exporter of gold bullion and medallions in India. The overall operations of the company are managed by Mr. Rajesh Mehta (Chairman) and Mr. Prashanth Mehta (Managing Director). REL's second line of management comprises professionals with around ten years of experience in the gold industry.

For FY2013-14 (as per provisional financial statements), REL reported profit after tax (PAT) of Rs.360 crore on operating income of Rs.29,197 crore, as compared with PAT of Rs.453 crore on operating income of Rs.30,425 crore for FY2012-13. The company's net worth stood at Rs.2,745 crore (provisional) as on March 31, 2014, as compared with Rs.2,415 crore a year earlier.

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SMERA RATINGS LIMITED

Rajesh Exports Limited (REL)

*Rating
Rationale*

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