

**October 09, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Pre/Post Shipment Finance	500.00	SMERA A/Stable (upgraded from SMERA A-/Stable)
Proposed Fund Based Facilities	500.00	SMERA A/Stable (Assigned)
Letter of Credit/Bank Guarantee/Buyer's Credit	700.00	SMERA A1 (upgraded from SMERA A2+)
Proposed Non-Fund Based Facilities	500.00	SMERA A1 (Assigned)

SMERA has upgraded the ratings of the above mentioned Rs. 1200 crore bank facilities (long term and short term) of Rajesh Exports Limited (REL) to '**SMERA A' (read as SMERA A)** from SMERA A- (read as SMERA A minus) and '**SMERA A1' (read as SMERA A one)** from SMERA A2+ (read as SMERA A two plus). SMERA has also assigned ratings of **SMERA A** and **SMERA A1** to the Rs.1,000 crore proposed bank facilities. The outlook is '**Stable**'.

Update

The upgrade reflects REL's strong revenue growth over the last two years and expectation that the same would be sustained over the medium term. During 2014-15, REL recorded revenues of Rs.50,463 crore resulting in a healthy compounded annual growth rate (CAGR) of 40 per cent over the last four years ended March' 2015. SMERA expects the company to sustain its healthy revenue growth over the medium term, driven by the company's leadership position in the industry and strong customer profile. The company has healthy operating efficiencies marked by strong sourcing network, integrated operations and diversity in revenue profile. Besides, REL has recently acquired a Swiss gold refinery unit to strengthen raw material sourcing. SMERA believes that this acquisition would strengthen the company's sourcing and supply chain and enhance its business risk profile.

The ratings continue to reflect REL's strong market position in the gold jewellery industry, its integrated operations and above-average financial risk profile marked by healthy net worth. However, the ratings also take into account the company's exposure to intense competition in the gold jewellery industry and risks related to changes in government policies.

Outlook: Stable

SMERA believes REL will continue to benefit from its experienced management and established market position. The outlook may be revised to 'Positive' in case the company records considerable increase in its revenues while improving its profitability leading to improvement in its business risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in REL's cash accruals, or stretch in the working capital cycle leading to deterioration in the company's financial profile.

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**Rating Sensitivity Factors**

- Effective working capital management
- Synergies from acquisition
- Future capital expenditure and its funding pattern

About the Company

The erstwhile M/s Rajesh Exports was established on May 29, 1990 as a partnership firm by Mr. Rajesh Mehta and Mr. Prashant Mehta. The firm was later reconstituted as a joint stock company on 25th January 1995 in the name of Rajesh Exports Limited. The company imports raw gold and gold bullion and refines the raw gold in to gold bullion and processes the gold bullion into gold Jewellery, Medallions and other gold products and exports these products across the world and also sells them in wholesale and also through it's own retail stores. The Chairman Mr. Rajesh Mehta along with the board of directors looks after the overall functioning of the company.

For the three months ended June' 2015, the company reported profit of Rs.237 crore on income of Rs.15,144 crore. For FY2014-15, the company reported profit after tax (PAT) of Rs.655 crore on income of Rs.50,463 crore as compared to PAT of Rs.358 crore on income of Rs.29,197 crore in FY2013-14.

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