

Rajesh Exports Limited:Reaffirmed

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|--|---------------------------------|-----------------------------|
| Pre/Post Shipment Finance | 410.00 (revised from 360.00) | SMERA A/Stable (Reaffirmed) |
| Letter of Credit/Bank Guarantee/Buyer's Credit | 600.00 | SMERA A1 (Reaffirmed) |
| Proposed Fund Based Facilities | 590.00 (revised from 640.00) | SMERA A/Stable (Reaffirmed) |
| Proposed Non-Fund Based Facilities | 600.00 | SMERA A1 (Reaffirmed) |
| Pre/Post Shipment Finance | 100.00 | SMERA A/Stable (Withdrawn) |
| Letter of Credit/Bank Guarantee | 100.00 | SMERA A1 (Withdrawn) |

SMERA has reaffirmed the rating of '**SMERA A**' (read as **SMERA A**) and '**SMERA A1**' (read as **SMERA A one**) on the above mentioned bank facilities of Rajesh Exports Limited (REL). The outlook is '**Stable**'. SMERA has also withdrawn the rating of '**SMERA A/Stable/SMERA A1**' on the Rs.200.00 crore bank facilities of REL as there are no dues outstanding in the account.

The ratings continue to derive comfort from the company's established track record of operations and significant revenue growth post acquisition of gold refinery viz. Valcambi SA. The ratings also draw comfort from REL's comfortable financial risk profile. The ratings also factor in the impact of fluctuations in gold prices and foreign exchange rates, however the risk is mitigated as the company has adequate hedging mechanism in place.

For arriving at the ratings, SMERA has considered the consolidated financials of REL due to significant business and financial synergies. This includes two subsidiaries viz. REL Singapore Pte Ltd and A One Exports and their step down subsidiaries.

Update

REL's revenues increased from Rs.50,462.89 crore in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.165,211.44 crore in FY2015-16 on account of the acquisition of Valcambi SA from Newmont Mining Corporation in July 2015. This was through SPV viz. Global Gold Refineries AG (subsidiary of REL Singapore Pte Ltd). Valcambi is the world's largest gold refinery at Switzerland and supplies 'Valcambi' brand of gold bars to bullion banks and central banks. However, post acquisition, the overall operating profit margin of REL declined from 3.40 per cent in FY2013-14 to 1.18 per cent in FY2015-16 due to increase in refining and bullion trading in the overall revenue mix.

REL's financial risk profile continues to remain comfortable with gearing at 1.25 times as on March 31, 2016 (1.14 times as on March 31, 2015). The interest coverage ratio improved to 3.05 times in FY2015-16 from 2.18 times in FY2014-15. Global Gold Refineries AG (subsidiary of REL Singapore Pte Ltd) has taken long term debt for the acquisition of Valcambi SA. The outstanding long term debt as on March 31, 2016 is Rs.497 crore and it has to be repaid within the next four years.

The company has adequate hedging mechanisms in place to mitigate adverse movement in gold and foreign exchange. Further, the industry is exposed to changes in government regulations as

well. With the company's desire to venture further into the retail segment, it faces intense competition from other retailers in the gems and jewellery industry.

Rating Sensitivity Factors

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

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 REL achieves sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in REL's profit margins or deterioration in the financial profile due to higher than expected debt funded capex/acquisitions.

Criteria applied to arrive at the rating:

- Manufacturing Entities

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 converts these into gold jewellery, medallions and other products. It also exports these products across the world apart from selling in the wholesale market and also through its own retail stores. The company acquired gold refinery, Valcambi SA in July 2015. The Chairman, Mr. Rajesh Mehta, along with board of directors manage the overall functioning of the company.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1069.00 crore on income of Rs.165,211.44 crore as compared to PAT of Rs.654.91 crore on income of Rs.50,462.89 crore in FY2014-15.

Rating History

| Date | Facilities | Amount (Rs. Crore) | Rating | | Rating Outlook |
|------------------|--|--------------------------|------------------------|------------------------|-------------------|
| | | | Long Term | Short Term | |
| 09 October, 2015 | Pre/Post Shipment Finance | 500.00 | SMERA A (Upgraded) | - | Stable |
| | Proposed Fund Based Facilities | 500.00 | SMERA A (Assigned) | - | Stable |
| | Letter of Credit/Bank Guarantee/Buyer's Credit | 700.00 | - | SMERA A1 (Upgraded) | - |
| | Proposed Non-Fund Based Facilities | 500.00 | - | SMERA A1 (Assigned) | - |
| 09 July, 2014 | FDB/FBE/BRD | 100.00 | SMERA A- (Assigned) | - | Stable |
| | Foreign Bills Payable/FBD/FBN/FCBD | 60.00 | SMERA A- (Assigned) | - | Stable |

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|--|--|--------|--------------------|---------------------|--------|
| | Foreign Usance Bill Discounting | 100.00 | SMERA A-(Assigned) | - | Stable |
| | Pre/Post Shipment in Foreign Currency | 100.00 | SMERA A-(Assigned) | - | Stable |
| | Proposed Cash Credit | 140.00 | SMERA A-(Assigned) | - | Stable |
| | Letter of Credit/Bank Guarantee | 600.00 | - | SMERA A2+(Assigned) | - |
| | Proposed Letter of Credit/Bank Guarantee | 100.00 | - | SMERA A2+(Assigned) | - |

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ABOUT SMERA

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