

Raj Exports

Instrument	Amount Rated	Rating Action
Working Capital Limits- (PC cum FBP/FBD)	Rs 28.00 crore*	[ICRA]BB+ reaffirmed; outlook revised from 'Stable' to 'Positive'
Term Loans	Rs 7.93 crore	[ICRA]BB+ reaffirmed; outlook revised from 'Stable' to 'Positive'
Letter of Credit	Rs 3.00 crore	[ICRA]A4+; reaffirmed
Forward Cover Limits	Rs 2.15 crore	[ICRA]A4+; reaffirmed

* Includes Rs. 3.00 crore of Gold Card Limit

ICRA has reaffirmed the long term rating of [ICRA]BB+ (pronounced ICRA double B plus) for the Rs. 28.00 crore¹ working capital limits and Rs. 7.93 crore term loans facility of Raj Exports (Raj)². ICRA has also reaffirmed the short term rating of [ICRA]A4+ (pronounced ICRA A four plus) for Rs. 5.15 crore non fund based facilities of Raj. The outlook on long term rating has been revised from 'Stable' to 'Positive'.

ICRA has taken a consolidated view on Raj Exports and its group concern Bhoomi Textiles while arriving at the ratings, on account of the strong business and financial inter-linkages and common management control.

The revision in the outlook on the long term rating from 'Stable' to 'Positive' reflects an expected improvement in the group's profitability and debt metrics while scaling up its operations in FY2016 and going forward. The operating performance is expected to benefit from favourable demand outlook, modernization of manufacturing facility and enhancement in the production capacity. Further, the ratings continue to positively factor in the long track record and experience of promoters in the textile industry also evident from its established relationships with reputed customers; the favourable location of the firm's processing unit in Ahmedabad in proximity to raw material suppliers and the supply arrangement with its group concern, Bhoomi Textiles which increases the cost competitiveness of its products in export markets.

The ratings, however, continue to remain constrained by Raj's modest scale of operations and the fragmented nature of the garmenting industry resulting in intense competition from other exporters. The ratings are further constrained by the vulnerability of profitability to adverse fluctuations in prices of key raw materials (grey yarn/fabrics) which may not be passed onto the customers adequately, high customer concentration risk and exposure to foreign currency exchange rate fluctuations risk although the same is partly mitigated through booking of forward contracts. Further, Raj is a partnership concern and any significant withdrawals from the capital account would impact the net worth and thereby the capital structure. Going forward, Raj's ability to sustain its revenue growth while improving its profitability margins and capital structure and effectively manage its working capital requirements would be some of the key rating sensitivities.

Entity Profile

Incorporated in the year 1986, Raj Exports is a partnership firm engaged in the manufacturing and export of knitted textile garments. The manufacturing facility of the firm is located in Ahmedabad and is managed by four partners – Mr. Shirish Shah, Mrs. Mita Shah, Mr. Niraj Shah and Mrs. Sweta Shah. The firm has one associate concern named – Bhoomi Textiles, which is engaged in manufacturing and processing knitted fabrics and is also managed by the same family.

Recent Results

During FY 2015, Raj reported an operating income of Rs. 93.88 crore and profit after tax of Rs. 3.78 crore as against operating income of Rs. 90.12 crore and profit after tax of Rs. 2.63 crore during FY 2014. Further, in 9M FY 2016 (as per unaudited provisional financials), Raj reported operating income of Rs. 84.94 crore and profit after tax of Rs. 3.68 crore.

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¹ 100 lakhs = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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