



Richa & Co.

	Amount	Rating Action
	In Rs. Crore	As on March 2015
Term Loans	4.50	[ICRA]BBB (stable) upgraded
Packing Credit Limit	52.00	[ICRA]A3+ upgraded
Bill discounting	20.50	[ICRA]A3+ upgraded
Advance Against Bill Collection	2.00	[ICRA]A3+ upgraded
Cheque discounting	0.50	[ICRA]A3+ upgraded
LC/BG	20.00	[ICRA]A3+ upgraded

ICRA has upgraded the long term rating from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]BBB (pronounced ICRA triple B) for Rs. 4.50 crore* term loan facility of Richa & Co. (RC) †. The outlook on the rating is “stable”. ICRA has also upgraded the short term rating from [ICRA]A3 (pronounced ICRA A three) to [ICRA]A3+ (pronounced ICRA A three plus) for Rs. 95.00 crore bank facilities of RC.

In assigning the ratings, ICRA has taken a consolidated view of the financial and operational profile of RC along with its other key group entities – Richa Global Exports Private Limited ‡ (RGEPL), Gaurav International § (GI), ABC Leathers** (ABCL) and Gaurav International Clothing LLP †† (GICLLP), given the common promoters, operational and financial linkage amongst the entities. These are together referred to as the Richa Group or ‘the Group’.

The ratings factor in the improvement in the financial profile of Richa Group in FY14 and the current financial year, marked by healthy revenue growth on the back of increase in both sales volumes as well as average realisations; and uptick in the profitability and cash flow generation on account of increased economies of scale and cost rationalization initiatives undertaken by the Group. Consequently the gearing and debt protection metrics have also witnessed improvement. While the group has been undertaking capital expenditure for the last few years, as per the management, no fresh capital expenditure is planned for the next 1-2 years, which should aid the liquidity of the Group. Additionally the ratings continue to factor in the Group’s established operational track record and long experience of its promoters in the garment manufacturing & export industry; sizeable manufacturing capacities; and a diverse customer base, which includes established international brands and apparel retailers. These factors have enabled the Richa group to establish itself amongst the major garment exporters in the country.

However, the ratings are constrained by the high competitive intensity of the industry which limits the pricing flexibility of the industry participants including the Group; and high working capital intensity of operations primarily driven by high inventory and receivable levels. The ratings also factor in the high geographic concentration risk given that the majority of the exports are being done to USA; and susceptibility of the Group’s profitability to foreign exchange risk as exports account for majority of the revenue. ICRA has also taken note of the risks inherent in a partnership firm such as limited ability to raise equity capital, risk of dissolution due to death/retirement/insolvency of partners, etc. In the past there have been frequent capital withdrawal by the partners, but the management maintains that the same would discontinue going forward.

Going forward, Richa group’s ability to sustain its revenue growth and maintain its profitability in light of competitive pressures; and manage its working capital intensity remain the key rating sensitivities.

* 100 lakh = 1 crore = 10 million

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

‡ Rated [ICRA]BBB(stable)/[ICRA]A3+

§ Rated [ICRA] A3+

** Rated [ICRA]A3

†† Rated [ICRA]A3+



Company Profile

Established in 1979, Richa & Co. is a partnership firm promoted by Mr. Vijay Uppal and his family members. The firm is involved in manufacturing and export of woven apparels. The firm operates out of its manufacturing facilities located in Delhi NCR. The company caters mainly for exports to renowned brands/ marketers in the USA/ Europe such as Macy's Merchandising Group, Kohls Department Stores, Abercrombie & Fitch Trading Co., Walmart Stores etc.

Recent Results

For FY2014, the firm has achieved an operating income of Rs. 347 crore and a net profit of Rs. 7.4 crore.

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