

## Ranger Apparel Export Private Limited

April 19, 2018

### Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Packing Credit	12.50	[ICRA]A2+ Assigned
Non-Fund based-Working Capital Facilities	(2.00)	[ICRA]A2+ Assigned
<b>Total</b>	<b>12.50</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has assigned a short-term rating of [ICRA]A2+ (pronounced ICRA A Two Plus) to Rs. 12.50 crore<sup>1</sup> fund based facilities of Ranger Apparel Export Private Limited (Ranger)<sup>2</sup>. ICRA has also assigned a short-term rating of [ICRA]A2+ (pronounced ICRA A Two Plus) to Rs. 2.00 crore non-fund based facilities (sub-limit of fund-based facilities) of the company.

### Rationale

The assigned rating favourably factors in the established presence of the company in the apparel industry for over twenty years, the extensive experience of the promoters and the long-term relationship of the company with reputed clients such as GANT, Scotch & Soda etc. The rating derives comfort from the financial profile of the company characterised by healthy profitability and robust coverage indicators owing to the debt-free nature of the company. The rating also considers the strong liquidity position of the company supported by healthy liquid investments and undrawn working capital facilities.

The rating is, however, constrained by stagnation in revenues over the last few years resulting in moderation in its profitability due to increase in operational expenses. The rating is also limited by high reliance of the company on its top-two customers who have contributed to over 90% of the revenues over the last few years, and high competition faced by the Indian apparel exporters, primarily from players in other Asian countries. The rating also factors in the exposure of the company's margins to foreign exchange fluctuations as the business is primarily export-oriented. This is, however, mitigated to an extent by the hedging policies followed by the company.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Established presence of the company in the apparel industry; long-term relationship with key customers and suppliers**

- Incorporated in 1996, the company has established its presence in the apparel industry over the last two decades. Having been associated with reputed brands such as Hugo Boss in the past, the company primarily caters to two reputed customers at present primarily – GANT AB and Scotch & Soda. The company has been receiving repeat orders over the years from these companies highlighting their established relationship.

**Strong financial profile characterised by healthy profitability and debt-free status resulting in robust coverage indicators** – The financial profile of Ranger is characterised by moderating, yet healthy profitability, and robust coverage indicators. Due to no external debt being utilised by the company, the coverage indicators remain strong.

**Healthy liquidity as reflected in the robust cash balances over the years and undrawn working capital facilities** – The Company has maintained high cash and liquid investments over the years, reflecting its strong liquidity position. It also has undrawn bank working capital facilities to the tune of Rs. 12.50 crore which provide additional comfort in meeting its working capital requirements.

### Credit challenges

**Stagnation in revenues over the last few years due to lack of addition of new customers**– Ranger’s operating income increased in FY2015 to Rs. 142 crore, and has moderated since then in the subsequent years due to non-receipt of higher orders from existing customers and no addition of major new customers. With stagnation in revenues and increase in operating expenses, primarily employee expenses, the company’s operating profitability witnessed moderation during the period. Despite the drop in margins, the profitability has continued to remain healthy.

**High customer concentration risk:** The Company has been deriving around 90% of its revenues from its top two customers over the last few years resulting in high customer concentration. Due to lack of a diversified customer profile, the company is exposed to vagaries of adverse developments at any one large customer’s end, as any reduction in demand from that particular customer can impact sales. Ranger, in its quest to diversify, has entered into agreement with Muji (a Japanese company) from whom it expects significant revenue contribution going forward.

**Reduction in government’s export incentives to impact profitability of apparel exporters** – The government revised the duty draw back rates for garment exports effective from October 2017. The rate for cotton garments was reduced from the earlier 7.6% to 2%. Also, the rates for other natural and man-made fibres were also slashed substantially which resulted in substantial lower profitability for apparel exporters. However, with the government doubling the rates under Merchandise Export from India Scheme (MEIS) from 2% to 4% for garments and made-up exporters from November 1, 2017 to June 30, 2018, the impact is expected to be mitigated to an extent.

**Vulnerability of profitability to any adverse foreign exchange fluctuations; limited to an extent by hedging**– Since the company is primarily export-oriented, its margins are exposed to fluctuations in foreign exchange prices. Ranger exports primarily to US, Europe, Hong Kong etc. and receives its payments in dollar and euro. The forex risk, however, is mitigated to an extent by the hedging undertaken by the company. The company has been making healthy forex gains over the last few years through its forex policies.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Entities in the Indian Textile Industry - Apparels](#)

#### About the company:

Ranger Apparel Export Private Limited was incorporated in the year 1996 and is involved in export of apparels, primarily shirts. Ranger originally had a capacity to produce 40,000 pieces a year, which has now risen to around 15 lakh pieces annually. At present, GANT and Scotch & Soda are the biggest clients of the company. Ranger's manufacturing facility is present in Bangalore. Ms. Stuti Dhanuka, the promoter of the company, has more than 20 years of experience in the garment industry.

In FY2017, the company reported a net profit of Rs. 17.1 crore on an operating income of Rs. 130.7 crore, as compared to a net profit of Rs. 20.0 crore on an operating income of Rs. 140.3 crore in the previous year.

#### Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	140.3	130.7
PAT (Rs. crore)	20.0	17.1
OPBDIT/ OI (%)	16.2%	10.9%
RoCE (%)	46.7%	31.7%
Total Debt/ TNW (times)	0.0	0.0
Total Debt/ OPBDIT (times)	0.0	0.0
Interest coverage (times)	288.8	243.5
NWC/ OI (%)	15.4%	20.2%

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information: None

### Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
1 Packing Credit	Short Term	12.50		April 2018 [ICRA]A2+	-	-	-
2 Letter of Credit & Bank Guarantee	Short Term	(2.00)		[ICRA]A2+	-	-	-

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Packing Credit	NA	NA	NA	12.50	[ICRA]A2+
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	(2.00)	[ICRA]A2+

\* Letter of Credit & Bank Guarantee of Rs. 2 crore is a sub-limit of Packing Credit of Rs. 12.50 crore

Source: Ranger Apparel Export Private Limited

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