



Rating Rationale

Rajda Industries & Exports Pvt. Ltd.

20Mar2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 52.91 Crores of Rajda Industries & Exports Pvt. Ltd. (RIEPL or the 'Company').

Particulars

Facility	O/S Amount (₹ Crs)	Tenure	Rating
Packing Credit	26.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable
PCFC	(26.00)		
FBP/FBD/FBP	14.00		
PCL	3.00		
FBP	(1.50)		
FCDL	4.90		
Term Loan	1.51		
FCDL	(1.51)		
Short Term Loan	0.50		
ILC	3.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	52.91	INR Fifty Two Crores and Ninety One Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of Rajda Industries & Exports Pvt. Ltd. up to FY 18, projected financials for FY19, FY20, publicly available information and information/clarifications provided by the Company.

The ratings reflect the promoters' experience in leather business, and diversified clientele & product list. The ratings are, however, constrained by low coverage indicators, decline in profitability and moderate leverage.

Going forward, the ability of the Company to achieve the higher turnover, improve its leverage, profitability and manage its working capital limits will remain the key rating sensitivities.



Description of Key Rating Drivers

Strengths

- **Experience of the promoters:** The Company consists of experienced and well qualified board of directors as well as a professional and skilled management team. Mr. Gautam Rajda, MBA, joined the Bags division in 1999. He is the Managing Director of the Company. Mr. V.V.Raman - is the Executive Director of the Company. B.Com graduate, he joined the Rajda Group in 1973, initially as the assistant to the Founder, Mr. Paresh Rajda, in the distribution and trading operations.
- **Business Existence:** Incorporated on May 15, 1992, RIEPL was promoted by late Mr. Paresh Rajda and his family members. Presently, RIEPL is being managed by Mr. Gautam Rajda (son of (late) Mr. Paresh Rajda) with adequate support from other experienced directors in the leather business. Since inception, RIEPL has been engaged in the manufacturing of industrial Leather Work Gloves and Leather Products. The Company exports 100% of its products to overseas markets.
- **Increase in sales:** Company has achieved sales of Rs 85.77 Crs in FY18 as against Rs 80.74 Crs in FY17. However the sales have remained stagnant since 2015.
- **Diversified clientele & Product list:** The major products manufactured by the Company are Leather work Gloves, Mens Wallets, Ladies Purses, Ladies Bags, Card Cases, Laptop Bags etc. Company exports its products to over 30 customers in 20 countries across the globe.

Weaknesses

- **Coverage indicators:** Company has reported Low coverage indicators with ISCR at 0.71 times in FY18 against 0.81 times in FY17 and DSCR at 1.30 times in FY18 against 1.3s times in FY17, mainly due to high interest and finance charges and low profit.
- **Decline in Profitability:** The OPM has declined from 4.68 per cent in FY17 to 3.47 per cent in FY18 and NPM from 1.91 per cent in FY17 to 1.13 per cent in FY18. The decline in profitability is mainly due to high direct expenses and high interest charges. However the PAT is supported by Non operating income.
- **Leverage:** High leverage reported by D:E of 1.92 times due to high debt.

Liquidity Profile

The liquidity position of the Company has remained moderate with an operating cycle of ~123 days as on March 31, 2018 due to high inventory. The average utilization of the cash credit limits remained moderate..

The current ratio stood at 1.16x as on March 31, 2018 and reported accruals of Rs 2.48 Crs. The cash and cash equivalent balance stood at Rs 0.89 Crs as at 31 Mar 2018. The Company's liquidity position is expected to remain moderate due to no capex plan in the near future.



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Rajda Industries & Exports Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated on May 15, 1992, RIEPL was promoted by late Mr. Paresh Rajda and his family members. Presently, RIEPL is being managed by Mr. Gautam Rajda (son of (late) Mr. Paresh Rajda) with adequate support from other experienced directors in the leather business. Since inception, RIEPL has been engaged in the manufacturing of industrial Leather Work Gloves and Leather Products. The Company exports 100% of its products to overseas markets.

Leather Work Gloves:

The factory is located at Deulti, Bagnan , Dist. Howrah for manufacturing Gloves. The total area of the Manufacturing and Inspection/ Packing area is over 20,000 sq.ft plus warehouse of over 10,000 sq.ft for Leather storage at Uluberia. Company has its own Clicking Presses for cutting the Leather and employs nearly 250 workmen for its manufacturing operations. The Gloves are exports to over 30 customers in 20 countries. Company is exporting to Germany, Italy, Spain, France, Belgium, USA, Mexico, Argentina, Ecuador, Australia, New Zealand, Singapore, Greece and other countries.

Leather Products:

This division manufactures Leather Products like Mens Wallets, Ladies Purses, Ladies Bags, Card Cases, Laptop Bags etc.

Company employs over 350 workmen for this operation. The Bags division exports to over 25 customers in over 15 countries (Sweden, Italy, Germany, France, Switzerland, Denmark, Hong Kong, and others) . The export turnover is over Rs. 25 crores. This division is a IS:9001:2015 and SA:8000 certified organisation.

Company Financial Performance

Company has achieved sales of Rs 85.77 Crs in FY18 as against Rs 80.74 Crs in FY17. Company has reported profitability with OPM at 3.47 per cent in FY18 against 4.68 per cent in FY17 and NPM at 1.13 per cent in FY18 against 1.91 per cent in FY17.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	85.77	80.74
EBITDA	₹ Cr	2.98	3.78
PAT	₹ Cr	0.97	1.54
Tangible Net worth	₹ Cr	21.51	21.04
Total Debt/Tangible Net worth	Times	1.92	2.04
Current Ratio	Times	1.16	1.18

Rating History for the last three years

S.No	Facility	Current Rating (March 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	49.91	BWR BB (Pronounced as BWR Double B) Outlook: Stable	Not Rated		
	Non Fund Based	Short Term	3.00	BWR A4 (Pronounced as BWR A Four)			
	Total		52.91	INR Fifty Two Crores and Ninety One Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-CARE BB-/A4 Aug 2018
Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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