

FEBRUARY 10, 2016

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF RAMA HANDICRAFTS

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1.65	CARE BB- (Double B Minus)	Revised from CARE D (Single D)
Short-term Bank Facilities	8.50	CARE A4 (A Four)	Revised from CARE D (Single D)
Total Facilities	10.15 (Rupees Ten crore and fifteen lakh only)		

Rating Rationale

The revision in the ratings of Rama Handicrafts (RHC) takes into consideration of timely repayment of interest and instalment of term loan. The rating, further, revised on account of continuous growth in Total Operating Income (TOI) from last three financial years ended FY15 (FY refers to the period from April 1 to March 31) with healthy profitability and moderate solvency position.

The ratings, however, continue to remain constrained on account of its presence in the highly competitive and fragmented textile industry and its working capital intensive nature of operations. The ratings, further, remain constrained on account of the sensitivity of the company's profitability to fluctuations in the raw material prices and its constitution as partnership concern.

The ratings, however, continue to draw strength from the long track record of operations and vast experience of the promoters in the textile industry.

RHC's ability to increase its scale of operations while improving profitability in light of the volatile raw material prices and efficient management of working capital are the key rating sensitivities.

Background

Jaipur (Rajasthan) based RHC was formed in 1978 as a partnership concern by the members of Chippa family. RHC is primarily engaged in the business of manufacturing and export of garments, made ups and home furnishing items to Japan. It has its plant located at Jaipur and has an installed capacity of manufacturing 21 lakh pieces per annum of garments as on March 31, 2015 from around 500 sewing machines. Further, RHC is also engaged in the electricity generation through its three owned wind mills situated in Maharashtra and supplies electricity to Maharashtra Electricity Board. It has operation and maintenance agreement with Suzlon Energy Limited.

The group concern of RHC includes Radhey Rama Landfarms Developers Private Limited (incorporated in 2007) engaged in manufacturing and export of garments, Gajanan Towers Private Limited (incorporated in 2002) engaged in real estate business and Vanke Bihari Construction Private Limited (incorporated in 1987) engaged in real estate business.

During FY15 (FY refers to the period of March 31 to April 1), RHC has reported a total operating income of Rs.25.15 crore (FY14: Rs.19.28 crore) with a net profit of Rs. 1.03 crore (in FY14: Rs.1.23 crore).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Analyst Contact

Name: Abhishek Jain

Tel: 0141-4020213/14

Cell: +91 9251265875

Email: abhishek.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,

Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Tel: +91-141-402 0213 / 14

KOLKATA**Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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