

Raag Exports Private Limited

March 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	13.86	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	13.86 (Rs. Thirteen Crore and Eighty-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from **Raag Exports Private Limited (REPL)** to monitor the ratings vide e-mail communications/letters dated October 19, 2021, October 27, 2021, December 07, 2021, January 05, 2022, February 01, 2022, March 02, 2022, March 04, 2022, March 17, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on REPL's bank facilities will now be denoted as **CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Raag Exports Private Limited factored in small scale of operation with moderate profit margins, working capital intensive nature of business, Moderate capital structure with weak debt coverage indicators, exposure to volatility in raw material prices and foreign exchange fluctuation risk and intensely competitive industry. The ratings however, derives strength from Experienced promoters and long track record of operations, Strategic location of the plant with proximity to source of raw materials and cheap labour.

Detailed description of the key rating drivers

At the time of last rating on March 23, 2021 the following were the rating strengths and weaknesses: (*updated from information available from registrar of companies*):

Key Rating Weaknesses

Small scale of operation with moderate profit margins

The total operating income of the company has declined by 29% and remained small at Rs. 6.50 crore during FY21 as against Rs. 9.17 crore during FY20. Further, profit margins remained moderate marked by improved PBILDT of 15.45% during FY21 as against 8.72% during FY20 due to decline in material cost on proportionate basis. Consequently, PAT Margin has improved and remained at 2.79% during FY21 as against 1.71% during FY20.

Working capital intensive nature of business

The manufacturing of industrial leather products is working capital intensive on the back of its strategy to maintain raw material stock in view of expected rising raw material prices coupled with the company's strategy to maintain finished stocks as per demand in the marketplace. The company had high inventory holding period of 409 days in FY21 (FY20: 269 days) for smooth running of its production processes and finished goods of all the products to meet the immediate demand of its customers as well as in view of expected rising raw material prices. Moreover, the average collection period was also elongated at 81 days in FY21 (FY20: 64 days) However, the company avails credit period of about 5 weeks from its suppliers. Accordingly, the average operating cycle remained high at 453 days (FY20: 321 days) in FY21.

Moderate capital structure with weak debt coverage indicators

The capital structure of the company has deteriorated but remained moderate marked by overall gearing ratio of 1.60x (2020: 1.57x) as on March 31, 2021 due to higher debt levels. Further, on back of improved profitability, the debt coverage indicators have improved but remained weak marked by interest coverage of 2.08x (FY20: 1.94x) and total debt to GCA of 23.16x (FY20: 30.34x) in FY21.

Exposure to volatility in raw material prices and foreign exchange fluctuation risk

Any adverse movement in prices of raw materials with no corresponding change in final goods prices can have an adverse impact on the profit margins of the company. REPL exports 100% of its products and majority of its raw materials requirement was met through domestic purchases. Hence, REPL is exposed to foreign exchange fluctuations. However, the company

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

sometimes adopts forward contracts for mitigating foreign exchange fluctuations and hence the foreign exchange fluctuation is mitigated to some extent.

Intensely competitive industry

The industry is essentially dominated by small scale firms with a few medium and large sized firms. The industry is concentrated in several leather clusters in 4-5 distinct locations in the country. Though government policies towards the industry have been supportive both for small-scale sector development as well as export promotion, the industry is caught up with socio political issues relating to slaughtering of animals. With the production clustered in 4-5 locations, distribution network becomes the key to success. Many companies in the leather products have a strong distribution network and enter into brand building exercise to improve the sales and market share. Hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

Key Rating Strengths

Experienced promoters and long track record of operations

The Company has been manufacturing leather accessories since 1994. Due to long track record of operations, the promoters have established satisfactory relationship with its clients. Further, the company is promoted by Late Gora Chand Chatterjee, however after his death the company is managed by his daughter Ms. Rini Chatterjee having more than two decades of experience in manufacturing and supplying of leather products like industrial leather hand gloves and aprons and she is further supported by other director namely, Mrs. Alakananda Chatterjee (wife of Mr. Gora Chand Chatterjee) are having more than two decades of experience in the same line of business. They are further supported by a team of experienced professionals.

Strategic location of the plant with proximity to source of raw materials and cheap labour

The manufacturing facility of REPL has close proximity to the tannery situated at Kolkata for sourcing of finished leather, the main raw material for manufacturing of leather goods. Accordingly, the availability of raw materials is not an issue. Further the manufacturing plant has ample supply of cheap labour.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Raag Exports Private Limited (REPL) was incorporated on November 24, 1994 by the Chatterjee family of Kolkata, West Bengal. The manufacturing facility of the company is situated at Sonarpur, West Bengal with aggregate installed capacity of 10000 pairs per day. Since its inception, the company has been engaged in manufacturing and exporting of industrial leather products like industrial leather hand gloves and aprons. The major export destinations of REPL are Spain, France, Italy, Netherland etc. REPL is recognized as a "One Star Export House" by the Ministry of Commerce & Industry, Government of India for a five years term ending on March 30, 2022. Being a recognized 'Star Export House' the company is entitled to various export incentive schemes of GoI. The company is also having a membership certificate from "Council for Leather Exports" which is valid till March 31, 2021.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	9.17	6.50	NA
PBILDT	0.80	1.00	NA
PAT	0.16	0.18	NA
Overall gearing (times)	1.57	1.60	NA
Interest coverage (times)	1.94	2.08	NA

A; Audited; Prov.; Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-PC/Bill Discounting		-	-	-	8.55	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Standby Line of Credit		-	-	-	2.31	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Mar-21)	1)CARE A4 (09-Mar-20) 2)CARE A4 (14-May-19)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-19) 2)CARE A4 (08-Jun-18)
2	Fund-based - ST-PC/Bill Discounting	ST	8.55	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Mar-21)	1)CARE A4 (09-Mar-20) 2)CARE A4 (14-May-19)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-19) 2)CARE A4 (08-Jun-18)
3	Fund-based - ST-Standby Line of Credit	ST	2.31	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Mar-21)	1)CARE A4 (09-Mar-20) 2)CARE A4 (14-May-19)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-19) 2)CARE A4 (08-Jun-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
2	Fund-based - ST-PC/Bill Discounting	Simple
3	Fund-based - ST-Standby Line of Credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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