

Press Release

Radnik Auto Exports

August 04, 2017

Rating Reaffirmed



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 8.00 Cr. |
| Long Term Rating | SMERA B / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 8.00 crore bank facilities of Radnik Auto Exports. The outlook is '**Stable**'.

The Uttar Pradesh-based Radnik Auto Exports (RAE) is a partnership firm engaged in the manufacture and sale of autosocks (snow tyre cover) and bags (back-packs/shoulder bags). Autosocks are exported mainly to Japan, Norway and European countries while bags are for both, export as well as local sale. The firm supplies bags to reputed brands including Decathlon, Reebok, Adidas. The installed capacity for bags is around 10 lakh per annum with current utilisation of 65 percent.

Key Rating Drivers

Strengths

- **Experienced management**

Radnik Auto Exports (RAE) is a partnership firm led by Mr. Vinod Kapur and family. The promoter possesses experience of over a decade in the industry.

Weaknesses

- **Low scale of operations**

RAE operates at low scale of operations. Sales stood at Rs.29.99 crore for FY2016 as compared to Rs.17.29 crore in FY2015.

- **Weak financial risk profile**

The weak financial risk profile is marked by continuous losses in the last two years i.e. FY2016 and FY2015. The erratic top line is constrained by low cash flows and weak debt coverage indicators. The firm incurred loss of Rs.4.05 crore for FY2016 as compared to Rs.4.92 crore for FY2015. The gearing stood at 1.37 times as on 31 March, 2016 as against 1.39 times as on 31 March, 2015. Further, coverage and DSCR stood negative for FY2016 and FY2015 due to losses incurred by RAE.

- **Fragmented and competitive industry**

Bag manufacturing is marked by the presence of a large number of small to large players with negligible entry barrier. As a result, the firm faces intense competition leading to narrow margins as is evident from its past financials.

- **Susceptibility to volatility in foreign exchange rates**

The firm is largely into exports and is exposed to the risk of fluctuations in forex rates in the absence of hedging mechanism/natural hedge, thus further eroding its profitability.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that RAE will maintain a stable outlook over the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while improving debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net loss of Rs.3.02 crore on operating income of Rs. 29.99 crore as against net loss of Rs.3.81 crore on operating income of Rs.17.29 crore for FY2014-15. The net worth stood at Rs. 7.31 crore as on 31 March, 2016 as compared to Rs. 5.61 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|------------------|
| 22-Feb-2016 | Cash Credit | Long Term | INR 3 | SMERA B / Stable |
| | Packing Credit | Short Term | INR 5 | SMERA A4 |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-----------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA B/Stable |
| PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA A4 |

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