



SMERA RATINGS LIMITED

LDPE India

Rating
RationaleMay 11, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.75	SMERA BB-/Stable (Assigned)
Letter of Credit	7.25	SMERA A4+ (Assigned)
Proposed Long Term	1.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.11.00 crore bank facilities of LDPE India. The outlook is '**Stable**'. The ratings are strengthened by the experienced promoters and long standing track record of operations. The ratings also draw support from the moderate financial risk profile marked by comfortable gearing and (Debt-Equity Ratio) interest coverage ratio. However, the aforementioned strengths are partially offset by the low profitability margins on account of stiff competition and trading nature of business. The ratings are further constrained by the susceptibility of profit margins to volatility in raw material prices and forex fluctuation.

Outlook-Stable

SMERA believes that LDPE India will maintain a stable business risk profile over the medium term owing to the extensive industry experience of the promoters. The outlook may be revised to 'Positive' if the company registers sustained growth in revenues while improving profitability and operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Improvement in the working capital management.

About the Company

The Delhi-based LDPE India, a proprietorship firm was promoted by Mr. Anirudh Gupta in 2009. The firm is engaged in the trading of polymer products.

The firm reported net profit of Rs.0.17 crore on revenue of Rs.32.60 crore for FY2015 as against net profit of Rs.0.14 crore on revenue of Rs.27.36 crore for FY2014.

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