

Radhadarshan Petropack LLP: Upgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	13.66	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Cash Credit	3.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Proposed Fund Based Facility	0.34	SMERA B+/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded the long-term rating on the above mentioned bank facilities of Radhadarshan Petropack LLP (RPL) to '**SMERA B+**' (read as **SMERA B plus**) from 'SMERA B' (read as SMERA B). The outlook is '**Stable**'. The rating upgrade is on account of profitable operations during the last six months and entry into the export market resulting in high profit margins. The rating continues to draw comfort from the experienced management. However, the rating is constrained by the limited track record of operations, highly competitive textile industry and susceptibility to raw material fluctuations.

RPL was established in 2015 and commenced operations in March 2016. The firm is engaged in the manufacture of road fabric, coating and reinforcement fabrics and has limited track record of operations. However, during the period April to September, 2016 the firm registered revenue of Rs.16.26 crore at an EBITDA margin of 19.92 per cent (Provisional). This is largely on account of export of woven bags which contribute 30 per cent of the firms' revenues. RPL however operates in a highly competitive segment of the textile industry and hence its profitability is susceptible to intense competition and raw material price fluctuations.

RPL benefits from its experienced management who possess experience of over a decade in this line of business. Further, the management has also infused unsecured loans in the firm to the tune of Rs.2.71 crore as on March 31, 2016.

Rating Sensitivity Factors

- Timely servicing of debt obligation
- Operational efficiency

Outlook-Stable

SMERA believes that RPL will maintain a stable outlook in the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the firm generates healthy cash flows from operations while achieving a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of debt funded capex plan or deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

RPL, established in 2015, is a Surat-based firm engaged in the manufacture of road fabric, coating and reinforcement fabrics. The firm was promoted by Mr. Ayush Agarwal, Mr. Binay Radhakishan Agarwal, Mr. Rajesh Kumar Purushottam Das Nigania and Mr. Purushottam Das Nigania. The commercial operations commenced in March, 2016.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
24 June, 2016	Term Loan	13.66	SMERA B (Assigned)	-	Stable
	Cash Credit	3.00	SMERA B (Assigned)	-	Stable
	Proposed Fund Based Facility	0.34	SMERA B (Assigned)	-	Stable

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ABOUT SMERA

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