

R. P. Poly Packs Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	17.10	SMERA BB/Stable (Assigned)
Stand by Line of Credit	2.75	SMERA BB/Stable (Assigned)
Term Loan	31.50	SMERA BB/Stable (Assigned)
Proposed Facility	1.41	SMERA BB/Stable (Assigned)
Letter of Credit	2.00	SMERA A4+(Assigned)
Proposed Facility	0.40	SMERA A4+(Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.52.76 crore facilities and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.2.40 crore facilities of R.P. Poly Packs Private Limited (RPPPL). The outlook is '**Stable**'. The ratings draw support from the experienced management and above average financial risk profile. The ratings are also strengthened by the established relations with reputed companies for raw material. However, the ratings are constrained by the modest scale of operations, debt funded capital expenditure and susceptibility of profitability to volatility in raw material prices.

RPPPL, established in 2007 is engaged in the manufacturing of HDPE Tarpaulin sheets (fabrics). The Directors, Mr. Ajay Agarwal and others possess almost a decades experience in the industry. The above average financial risk profile is marked by gearing of 1.43 times, interest coverage of 2.86 times and DSCR of 1.58 times as on March 31, 2016. The operating margin stood at 10.95 per cent in FY2016 against 8.47 per cent in FY2015 and is expected to remain at similar levels over the medium term. Also, the net worth of the company stood at Rs.12.73 crore in FY2016 against Rs.11.92 crore in FY2015 because of retention of profits. However, the debt funded capex of Rs.19.35 crore undertaken by the company to expand capacity from 550 tonnes per month to around 1200 tonnes per month may have a moderate impact on the capital structure and coverage indicators in the short term. The main raw material i.e. HDPE (high density polyethylene) granules is procured from reputed companies like Indian Oil Corporation Limited, Haldia Petrochemicals limited and others.

The company's scale of operations is modest at Rs.46.16 crore in FY2016 against Rs.49.46 crore in FY2015. The ratings also factor in the volatility in the prices of key raw material i.e HDPE (high density polyethylene) granules that have an impact on the margins of the company.

Rating Sensitivity Factors

- Significant improvement in revenue while maintaining profitability
- Comfortable capital structure

Outlook – Stable

SMERA believes that RPPPL will maintain a stable outlook in the medium term backed by its promoters' experience and above average financial risk profile. The outlook may be revised to 'Positive' if the company registers more than expected revenues and net cash accruals. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues, profitability or if the capital structure deteriorates.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

RPPPL was established by Mr. KC Agarwal, Mr. Ajay Agarwal and Mr. Rakesh Agarwal in 2007. The company manufactures HDPE tarpaulin sheets known as PP Fabric and HDPE Fabric used in packaging material, water proofing and temporary shelters. The manufacturing facilities are located at Kanpur, Uttar Pradesh. The current production capacity is approx 550 tonnes per month.

For FY2016, RPPPL reported profit after tax (PAT) of Rs.0.81 crore on operating income of Rs.46.16 crore as compared with (PAT) of Rs (0.49) crore on operating income of Rs.49.46 crore in the previous year.

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ABOUT SMERA

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