

Press Release

RAGHAV AGRI-TECH

15 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 45.00 crore bank facilities of RAGHAV AGRI-TECH (RA). The outlook is '**Stable**'.

Raghav Agritech was established in 2015 by Mr. Madan K. Atkare, Mr. Dinesh K. Atkare and Mrs. Dipali D. Atkare. The firm is in the process of setting up a unit to manufacture agro shade nets, aquaculture, tea withering nets, ground covers, mulch films etc. in Valsad, Gujarat. The total installed capacity is expected to be around 7300 Tons per annum. The project is to commence commercial operations by September 2018.

Key Rating Drivers

Strengths

- **Entrepreneurial experience of promoters:**

The promoters, Mr. Madan K. Atkare, Mr. Dinesh K. Atkare and Mrs. Dipali D. Atkare have experience of more than a decade in the plastics films industry through group companies Santoshi polymers established in 2003 and Santoshi Barrier Film India Private Limited (SBIPL) incorporated in 2011. SMERA believes that the entrepreneurial experience of the promoters will support RA in the near to medium term.

Weaknesses

- **Project implementation risk:**

The firm is setting up a unit in Valsad, Gujarat to manufacture agro shade nets, aquaculture, tea withering nets etc. at a project cost of Rs. 61.50 crore to be funded through a term loan of Rs. 40.00 crore and promoter's contribution of Rs. 21.50 crore. The total installed capacity subsequently is expected to be around 7300 Tons per annum. The project is scheduled to commence operations from January, 2019. The project is at a nascent stage and as on date has incurred Rs. 19 crore against purchase of land and construction of building which is around ~29 per cent of the total project cost. The project has been funded through promoter's contribution and financial closure is attained. SMERA believes that timely completion of the project without any cost overruns will be the key rating sensitivity.

- **Intense competition and exposure to cyclicity in the end user industry**

The plastic films industry is highly fragmented industry with numerous small and large players. The firm may face competition from modern organised and low overhead cost unorganised sector entities. RA's existing exposure to target clientele is expected to mitigate offtake risk to some extent. Further, the demand for RA's products is exposed to cyclicity in the end user industry (Infrastructure, agriculture etc.). SMERA believes that the promoters will be able to leverage on the existing business relationship to develop the market for RA. However, the actual level of offtake will depend on the firm's ability to ensure consistent product quality at competitive prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Raghav Agritech to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of RA will remain stable owing to the experience of its promoters. The outlook may be revised to 'Positive' if the firm is able to achieve its COD, leading to healthy cash inflows and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and net cash accruals leading to deterioration in the financial risk profile, particularly liquidity. Further, significant delays in project execution leading to cost and time overruns may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials Not applicable since the unit is yet to commence production.

Any other information

Not Applicable

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)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA BB- / Stable

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