



SMERA RATINGS LIMITED

**Ralin Polymers Private Limited (RPPL)****Rating  
Rationale****March 04, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	12.90	SMERA B/Stable (Assigned)
Cash Credit	11.00*	SMERA B/Stable (Assigned)
Letter of Credit	2.00^	SMERA A4 (Assigned)

\*Includes Export Packing Credit (EPC) as a sublimit to the extent of Rs.2.00 crore

^Includes Bank guarantee as a sublimit to the extent of Rs.1.00 crore

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.25.90 crore bank facilities of Ralin Polymers Private Limited (RPPL). The outlook is '**Stable**'. The ratings are constrained by the project execution risk associated with the company's upcoming manufacturing unit. The ratings are also constrained by the company's susceptibility to post commissioning risks. However, the ratings are supported by the company's experienced management.

RPPL is a Madhya Pradesh-based company established to undertake the business of manufacturing plastic woven sacks. RPPL is currently setting up a manufacturing unit in Dewas (Madhya Pradesh), with an installed capacity of 7,000 metric tonnes per annum (MTPA). The project cost is estimated at ~Rs.19.25 crore, which is likely to be funded through term loan of Rs.12.90 crore and promoter's contribution of Rs.6.35 crore. SMERA believes that RPPL's overall leverage will remain moderately high over the medium term. RPPL has received sanction for a term loan of Rs.12.90 crore. The repayment of the term loan is scheduled to commence from April 2015. The company has also received sanction for working capital facility of Rs.11.00 crore. RPPL is likely to commence commercial production in March 2014. The company is exposed to project execution risk as installation of machinery is underway.

RPPL's rating is also constrained by post commissioning risks, which include high working capital intensity and weak bargaining power against customers and suppliers amidst intense competition prevalent in the packaging industry. The company's profit margins will be susceptible to volatility in prices of raw materials such as high density polyethylene (HDPE) and polypropylene (PP).

RPPL is poised to benefit from its experienced management. The company's promoters have around two decades of experience in the packaging industry.

**Outlook: Stable**

SMERA believes that RPPL will benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy scalability in operations while achieving comfortable profit margins. Conversely, the outlook may be revised to 'Negative' in case the

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*Rating  
Rationale*

company fails to achieve the projected revenues, or in case the company undertakes large debt-funded capital expenditure.

### About the company

RPPL, incorporated in 2012, is Madhya Pradesh-based company promoted by Mr. Pareshbhai Patel, Bhaveshkumar Patel, Mr. Manish Shah and Mr. Rahul Shah. RPPL is established to undertake the business of manufacturing plastic woven sacks. The company is likely to commence commercial production in March 2014.

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