

March 01, 2013

Facilities	Amount ( Rs. Crore)	Rating
Cash Credit (Packing Credit)	4.50 (0.50)	<b>SMERA BB+ / Stable/ Assigned</b>
Term Loan	7.21	<b>SMERA BB+ / Stable/ Assigned</b>
Special Line of Credit	0.50	<b>SMERA A4+ / Assigned</b>
Foreign Letter of Credit (Domestic Letter of Credit )	2.00 (0.30)	<b>SMERA A4+ / Assigned</b>

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA Double B plus**) to Rs. 11.71 crores long term facilities and '**SMERA A4+**' (read as **SMERA A Four plus**) to Rs. 2.50 crores short term facilities. The outlook is 'stable'. The rating of Raman FibreScience Private Limited (RFPL) derives support from the promoters' extensive experience in electrical insulation industry, competitive advantage from being the only manufacturer of battery separators made from glass fibre in pouchable grade and growing acceptance from the reputed battery manufactures for company's products. The rating also factors in the moderate financial risk profile marked by average coverage indicators and gearing. However the rating is constrained by the small scale operations of the company and limited track record in manufacturing of glass fibre battery separators.

RFPL commenced commercial production of battery separators in October 2008. Company has registered healthy growth in operating income of CAGR 68% for 2 years i.e. between FY 2010 to FY 2012. Along with revenue, their operating profits have also grown from Rs. 0.45 crores in FY 2010 to Rs. 3.43 crores in FY 2012. This growth in profits has led to significant improvement in the operating margin of the company i.e. from 6.58% in FY 2010 to 17.5% in FY 2012. Composite battery separator (Hi- Sep™ and Hi – Sep PG™) is the primary product of RFPL and contributes

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around 96% of its total revenue. RFPL also undertakes contract research activities which contribute around 4% to its total revenue. The usage of battery separators is majorly in automotive applications (two wheeler and four wheeler) followed by application in industrial batteries.

RFPL has state of the art manufacturing facilities with research and innovation centre at Mysore. It is the only Research and Innovation centre approved by Government of India for innovations in wet laid battery separators. RFPL has reputed customers such as ABB Limited (Sweden and India), Defence Research and Development Organisation (DRDO), Rane Group and SC Johnson. At present, AMCO, TAFE and Exide have also given approval for RFPLs battery separators. AMCO & TAFE have approved the product for both, their two as well as four wheelers, whereas Exide has approved it for two wheelers battery only. Additionally, many overseas customers have approved RFPLs battery separators. RFPL has moderate coverage indicators where its DSCR stood at 1.52 times for FY 2012.

Total debt to equity ratio stood at 1.51 as on 31/Mar/2012. Interest coverage ratio is comfortable and stood at 2.22 times for FY 2012. These ratios have improved gradually over last four years on account of repayment of term loans and incremental profits.

### **Outlook: Stable**

In last three years, company has realized significant increase in sales due to increased product acceptance and introduction of new innovative products. RFPL has 'Stable' outlook with its driving strength comprising of promoter's rich experience in electrical insulation industry and benefits derived from its competitive edge gained through product differentiation. Ability of the company to gain acceptability of its products with various industry majors and sustaining the competitive advantage will be the key rating sensitivities.

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### About Raman FibreScience Private Limited

RFPL was incorporated on 5<sup>th</sup> January, 2007 by Mr. Aroon Raman and Mrs. Afried Raman.

Mr. Aroon Raman, Promoter and Managing Director, an MBA in Finance and Marketing from the Wharton School, USA and a post-graduate in Economics from Jawaharlal Nehru University, Delhi, has around 16 years of experience in electrical insulation industry. Previously, Mr. Aroon Raman was Managing Director of Raman Boards Limited, a company manufacturing high voltage electrical insulation materials for power transformers. He divested this company in 2007 to ABB Limited to focus on his core interest areas of research and innovation into wet-laid composites for which he has set up RFPL. RFPL has its manufacturing facilities and Research & Innovation Centre at Mysore.

RFPL is engaged in manufacturing of composite battery separators and filter media. It also provides contract research services in the area of innovations in wet laid composite materials. The company is organized in two divisions, namely: porous material division and research and innovation centre. RFPL is the only company in India manufacturing battery separators by using glass fibre and glass tissues. Its manufacturing unit has capacity of 1000 tonnes per annum (TPA) in FY 2012.

For FY 2012, RFPL reported a net profit of Rs. 1.17 Crores on a total income of Rs. 19.64 Crores as against a net profit of Rs. 0.12 Crores on a total income of Rs. 13.82 Crores for FY 2011.

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