

Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Credit Facilities aggregating ₹ 27 Cr for Labdhi International Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for Bank Credit Facilities of Labdhi International Private Limited. ("*LIPL*" or "*the Company*")

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based			BWR B+ (BWR B Plus)
Cash Credit	7.00	Long Term	Outlook: Stable
Non Fund Based			BWR A4 (BWR A Four)
Letter of Credit	17.50	Short Term	
Bank Guarantee	2.50		
Total	27.00	INR Twenty Seven Crores only	

BWR has principally relied upon the audited financial results of LIPL for period from FY11 to FY13, and information/clarification provided by the Company

The ratings, factors in the established experience of the promoters in the industry, established relationship with customers & suppliers and diversified customer base.

The ratings, however, continue to be constrained by the relatively modest scale of operations, low profitability margins and presences in highly fragmented industry.

Background

Labdhi International Private Limited (LIPL) was established in 1991 as a partnership firm by Mr. Umesh Doshi and his family members and was reconstituted as a private limited company in February 2011. LIPL is one of the two del credere agents (DCAs) of HPL in Gujarat region. LIPL also operates as a consignment stockiest for HPL. The products sold by the company, on behalf of HPL, include HDPE, LLDPE and PP. LIPL's monthly sales from these products range between 2000 and 3000 MT. In addition to this, the company imports other polymer products including LDPE resins, LDPE granules and PVC resins

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile

LIPL's overall management is headed by Mr Jigish Doshi, CMD, who has experience of more than three decades in the plastic industry. The promoters also have presence in other businesses through various entities.

Financial Risk Profile

The operating income of the company increased by 34% in FY13 to Rs28.77Cr. Being trading nature of the business operating profit has remained low at 0.26% for FY13. Capital Structure of the company is weak on account of higher debt. Lower margin and higher debt has also resulted in low coverage ratio as observe from ISCR of 0.02x and Debt service coverage ratio of 0.97x in FY13.

Rating Outlook

LIPL's ability to increase its scale of operations and profitability along with maintaining comfortable structure and better working capital management are the key rating sensitivities.

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