

March 05, 2014

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
CLS INDUSTRIES PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	5	CARE B (Single B)	Reaffirmed
Long-term/Short-term Bank Facilities	2	CARE B/CARE A4 (Single B / A Four)	Reaffirmed
Short-term Bank Facilities	6	CARE A4 (A Four)	Reaffirmed
Total	13		

Rating Rationale

The ratings assigned to the bank facilities of CLS Industries Private Limited (CIPL) continue to be constrained on account of its modest scale of operations in a highly competitive and fragmented wood products industry. The ratings continue to be constrained on account of the weak financial risk profile marked by thin profitability, leveraged capital structure, weak debt coverage indicators and stressed liquidity position coupled with susceptibility of its operating margin to raw material price fluctuation risk.

The ratings, however, favorably take into account the resourcefulness of the promoters having diversified business interest. The ratings also factor in the increase in turnover and stabilization of the manufacturing operations during FY13 (refers to the period April 1 to March 31).

CIPL's ability to increase the scale of operations with improvement in financial risk profile through efficient management of working capital cycle and managing raw material price fluctuations are the key rating sensitivities.

Background

Gandhidham-based (Kutch) CIPL was incorporated in the year 2008 as a private limited company by Mr Shyam Sharma (director) and his two sons, Mr Mohit Sharma (director) and Mr Rohit Sharma (director). CLS is engaged in the manufacturing of core veneer with an installed capacity of 18.25 lakh Square Meter Per Annum (SMPA), phase veneer with an installed capacity of 54.75 lakh SMPA, marine plywood with an installed capacity of 1.10 lakh per annum, block board with an installed capacity of 3.65 lakh per annum and flush doors with an installed capacity of 1.10 lakh per annum as on March 31, 2013. The commercial production of CIPL started in February 2011. The promoter group also has business interests in various other fields such as hospitality, leasing, trading, etc, through their group concerns, namely, CLS Enterprise Private Limited, Shiv Petroleum, Shiv Enterprise and CL Sharma Resorts Private Limited.

During FY13 (as per the audited results), CIPL reported a total operating income of Rs.16.44 crore (FY12: Rs.10.05 crore) and Profit after Tax (PAT) of Rs.0.01 crore (FY12: Rs.0.01 crore). As per the provisional results for 10MFY14, CIPL registered turnover of Rs.16.60 crore.

Analyst Contact

Name: Nitin Jha

Tel: 079-40265656

Mobile: +91 85111 90080

Email: nitin.jha@careratings.com

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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Disclaimer

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.