

DECEMBER 05, 2016

## CARE ASSIGNS 'CARE B' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF REDD MICA PRIVATE LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	6.25	<b>CARE B; Stable (Single B; Outlook: Stable)</b>	Assigned
Long-term/ Short-term Bank Facilities	8.75	<b>CARE B / CARE A4; Stable (Single B; Outlook: Stable / A Four)</b>	Assigned
<b>Total Facilities</b>	<b>15 (Rupees Fifteen crore only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Redd Mica Private Limited (RMPL) are constrained on account of implementation and stabilization risk associated with ongoing debt funded project, lack of prior experience of the key promoters in the laminate manufacturing industry and susceptibility of operating margins to variable input costs and foreign exchange rates. The ratings are further constrained on account of its presence in a highly fragmented industry with fortunes linked to demand from cyclical real estate industry.

The above constraints, however, outweigh the comfort derived from the stable outlook of the Indian laminate industry.

The ability of RMPL to successfully commission its ongoing capex and commence commercial production within the envisaged timeline will be the key rating sensitivities. Furthermore, achieving envisaged level of sales and profitability in light of competition from large players and raw material price fluctuation risk would also remain the key rating sensitivities.

**Background**

Ahmedabad-based (Gujarat) RMPL was incorporated in September 2015 by Mr Satya Narayan Agrawal, Mr Sureshkumar Babulal Jani and Mr Jainam Hasmukh Agrawal. The unit is set up to manufacture decorative residential and industrial laminates with a proposed installed capacity of around 10 lakh sheets per annum; from its facilities located in Dehgam (Gujarat). The laminates manufactured by RMPL are used as an overlay over plywood or other wooden furniture. The total project cost is estimated at Rs.15.74 crore which is to be funded with a proposed debt-equity mix of 2.94 times.

While, RMPL will purchase its key raw materials, ie, brown base paper, kraft paper, phenol resins and melamine resins from traders located in Gujarat and Maharashtra, it will sell the finished goods to various states of India via dealers or direct sales agents under the brand name of "Redd Laminates". Its group entities include M/s Naresh Tradelink Private Limited which is involved in the trading of kraft paper, while other group entities are involved in different businesses like cotton ginning and pressing, petroleum products and multi-speciality Hospital and Research Center.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691