

JANUARY 23, 2015

CARE ASSIGNS 'CARE B+ / CARE A4' RATINGS TO THE BANK FACILITIES OF REDSTONE GRANITO PVT. LTD.

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	14.00	CARE B+ (Single B Plus)	Assigned
Short term Bank Facilities	6.00	CARE A4 (A Four)	Assigned
Total Facilities	20.00		

Rating Rationale

The ratings are constrained due to susceptibility of Redstone Granito Pvt. Ltd.'s (RGPL's) profitability to volatile input prices, high working capital intensity, modest scale of operations, stressed debt protection indicators, high leverage and its presence in the highly competitive ceramic tile manufacturing industry which has close linkages to the cyclical real estate sector.

The ratings, however, derive strength from the wide experience of the promoters of RGPL in the tiles industry, its strategic presence in the ceramic tile cluster of Gujarat and established marketing and distribution network.

RGPL's ability to scale up its operation along with sustenance of its profitability in the wake of rising fuel and power cost and effective working capital management are the key rating sensitivities.

Background

Incorporated in December 2010, RGPL is engaged in manufacturing of vitrified ceramic tiles. RGPL was promoted by Mr. Jagjivan Varmora, Mr. Vishal Raiyani, Mr. Nilesh Bhalodia and Mr. Ramesh Ranipa. Subsequently Mr. Jagjivan Varmora's stake was bought out by Mr. Maganlal Kasundra. RGPL commenced production from November 2011 at its manufacturing facility located at Wankaner in Rajkot district of Gujarat, which is a ceramic tile hub. RGPL has an installed capacity of 70,000 Metric Tonne Per Annum (MTPA) as on March 31, 2014. Also RGPL has commissioned its wall tiles manufacturing facility in October 2014 with an installed capacity of 19,000 MTPA.

During FY14 (refers to the period April 1 to March 31), RGPL reported a total operating income of Rs.68.17 crore (FY13: Rs.86.84 crore) with a PAT of Rs.3.39 crore (FY13: Rs.0.34 crore). As per the provisional results for H1FY15, RGPL has reported a total operating income of Rs.40.35 crore with a PBT of Rs.2.19 crore.

Analyst Contact

Name: Hardik Shah

Tel # 079-40265620

Email: hardik.shah@careratings.com

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

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@carerating.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
 E-mail: meenal.sikchi@carerating.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 93149 21496
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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