

JULY 07, 2014

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF RUSHIL DECOR LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	113.47 (enhanced from Rs. 98.03 crore)	CARE BBB- (Triple B Minus)	Reaffirmed
Short term Bank Facilities	30 (enhanced from Rs. 24 crore)	CARE A3 (A Three)	Reaffirmed
Total Facilities	143.47		

Rating Rationale

The ratings continue to derive strength from the long-standing track record of the promoters of Rushil Décor Limited (RDL), its growing scale of operations led by an increase in revenue from both laminates and Medium Density Fibre (MDF) board segment along with its moderate operating margins and leverage. The ratings further continue to take into consideration proximity of its manufacturing facilities to raw material sources, geographically diversified revenue profile and its established marketing network.

The ratings, however, continue to be constrained by the high working capital intensity of its operations, losses in the Particle Board (PB) division, presence in a fragmented industry, threat of cheap imports and foreign exchange fluctuation risk.

RDL's ability to increase its scale of operations along with an improvement in its profitability and capital structure; and effectively manage its working capital requirements and foreign exchange fluctuation would be the key rating sensitivities. Furthermore, timely realization of proceeds from its planned sale of PB division shall remain crucial.

Background

Incorporated in 1993 by the Thakkar family based out of Ahmedabad (Gujarat), RDL is a listed public limited company engaged in the manufacturing of Laminate sheets, PB and MDF board. It manufactures both decorative (single-sided) as well as industrial (double-sided) laminates with a wide range of design, colour and finish. It caters to domestic as well as export markets and sells its products under the brand name 'VIR LAMINATES' and 'VIR BOARDS'. The company had an installed capacity of 30 lakh sheets per annum (p.a.) for laminates, 13.76 lakh square meter p.a. for PB and a capacity of 90,000 cubic metre (CBM) p.a. for MDF board as on March 31, 2014. However, in May 2014 RDL has executed a business transfer arrangement for liquidating its PB division at a total consideration of Rs.13.37 crore.

During FY14 (refers to the period April 1 to March 31), RDL reported a PAT of Rs.3.02 crore on a total operating income (TOI) of Rs.257.30 crore as against a PAT of Rs.4.03 crore on a TOI of Rs.183.25 crore in FY13.

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

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CIN - L67190MH1993PLC071691