



SMERA RATINGS LIMITED

Corus Décor Private Limited (CDPL)

Rating Rationale

November 18, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.50	SMERA B/Stable(Assigned)
Term Loan I	2.15*	SMERA B/Stable(Assigned)
Term Loan II	2.00	SMERA B/Stable(Assigned)

* Outstanding amount as on September 05, 2013 is Rs.1.62 crore

SMERA has assigned a rating of '**SMERA B' (read as SMERA Single B)** to the Rs.7.65 crore long-term bank facilities (fund based) of Corus Décor Private Limited (CDPL). The rating is constrained by the company's short track record and small scale of operations in a highly competitive laminate manufacturing industry. The rating is also constrained by the company's exposure to raw material price volatility. However, the rating is supported by the company's experienced management.

CDPL, established in 2010, is a Gujarat-based company engaged in manufacturing of paper-based decorative laminate sheets (thickness of 0.5 mm, 0.6 mm, 0.8 mm, 1.00 mm and 1.5 mm) used in the furniture industry. The company has a small scale of operations with total income of Rs.8.25 crore in FY2011-12 (refers to financial year, April 01 to March 31).

CDPL faces intense competition from various large and small players in the laminate industry. The company's profitability is susceptible to volatility in prices of key inputs, which include base paper, kraft paper and chemicals. CDPL's raw material cost accounts for about 78 per cent of the total sales in FY2012-13.

CDPL has moderate leverage at 1.49 times as on March 31, 2013. The company has availed a term loan of Rs.2.00 crore in September 2013 for capacity expansion. CDPL's projected leverage is estimated at 2.34 times as on March 31, 2014.

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CDPL is likely to benefit from its experienced management. Mr. Nikhil Thakkar, Director of CDPL, has more than two decades of experience in trading of laminates.

Rating sensitivity factors

- Ability to scale up operations while maintaining a comfortable liquidity position
- Improvement in profitability
- Lower leverage

Outlook

SMERA believes the outlook on CDPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Negative' in case of a sharp decline in the company's profit margins or in case of deterioration in the company's capital structure. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues while achieving better working capital management.

About the company

CDPL, incorporated in 2010, is a Gujarat-based company promoted by Mr. Nikhil Thakkar and Mr. Prabhudas Thakkar. In 2011, Mr. Prabhudas Thakkar retired from CDPL and Mr. Jayesh Vora and Mrs. Swathi Nikhil Thakkar joined the company as directors. CDPL is engaged in manufacturing of paper-based decorative laminate sheets (thickness of 0.5 mm, 0.6 mm, 0.8 mm, 1.00 mm and 1.5 mm). The company has a manufacturing facility in Sanand, Gujarat.

For FY2012–13, CDPL reported net profit of Rs.0.09 crore on total income of Rs.8.25 crore as compared with net profit of Rs.0.08 crore on total income of Rs.4.19 crore for FY2011–12. Further, as informed by the management, CDPL registered revenue of Rs.6.60 crore during April 2013 to September 2013.

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