

Press Release

Brickwork Ratings assigns “BWR IPO Grade 2” to the proposed Initial Public Offer of RDB Rasayans Limited.

RDB Rasayans Limited

**IPO Grading: BWR IPO Grade 2
(Below Average Fundamentals)**

Brickwork Ratings (BWR) has assigned BWR IPO Grade 2 to the proposed IPO of RDB Rasayans Limited (“RRL” or “the Company”). Brickwork Ratings’ BWR IPO Grade 2 indicates below average fundamentals for the issue in relation to its peers. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1 with Grade 5 signifying strong fundamentals and Grade 1 poor fundamentals of the issue in relation to its peers.

The grading factors RRL’s experienced management team and promoter group, strategic cost/logistic advantage enjoyed due to proximity to clients and ports, healthy growth of domestic packaging industry as well as demand from Western and European countries and good clientele and suppliers. The grading is constrained by volatility of raw material prices and RRL’s inability to fully pass on the production price hikes, negative cash flows from operations, fragmented nature of industry, high level of regulation, number of litigations against the promoters and the group companies, risk of adverse business environment with regard to labor unrests and cyclical nature of end-user sectors. In absence of project appraisal by bank or term lending institution the funds utilization is with RRL.

Company Profile

RRL was incorporated in the year 1995 as public limited company and currently manufactures Flexible Intermediate Bulk Containers (FIBCs), Polypropylene (PP) Tape, PP woven sacks, Woven fabrics, Industrial woven fabric, PP woven fabrics and PP woven bags. The company has manufacturing facility in Haldia with installed capacity of 7,000 MTPA. RRL is part of The RDB Group (“RDB” or “the Group”) promoted by Mr. Sunder Lal Dugar. The Group has presence in infrastructure development, cigarettes and tobacco, printing and packaging, containers and bags, automobiles marketing, retail business, production and installation of power transmission lines and logistics industries. The combined turnover for the Group was ₹ 1102.2 crores as of March 2010.

The Issue

RRL is raising equity funds primarily to expand its installed capacity by 7450 MTPA by establishing Unit-II adjacent to its existing manufacturing facility in Haldia at an estimated cost of ₹ 32.65 crores. Part of the issue proceeds will be used for general corporate purpose, which includes marketing of products, up-gradation of infrastructure facilities and working capital requirement. The project is at an advanced stage with civil work completed. The Company has also purchased few machinery from internal accruals and term loan.

RRL is a mid-sized player engaged in the manufacture of industrial packaging products – FIBCs which are used in bulk packaging and Poly Propylene (PP) woven sacks and fabrics. FIBCs account for about 60% of gross sales of the company. RRL caters to the domestic market and has clients located mainly in West Bengal. The company’s sales have grown sequentially over the years; however, profitability has been under pressure from increased

input costs and inability to fully pass on the price hikes. The company does not enjoy technological advantage and faces stiff competition from other players, however, locational advantage in terms of proximity to clients and nearby ports enables Company to timely deliver consignments with minimal logistics costs.

The company is promoted by Mr. Sunder Lal Dugar, his son Mr. Vinod Dugar and Ms. Sheetal Dugar. RRL's Board currently has of six members of which three are Independent Directors.

Mr. Sunder Lal Dugar (56 years) is the Chairman of RDB Group of Industries, RDB Rasayans Ltd. He is the Non-Executive Chairman of EMC Limited. Mr Sunder Lal Dugar is an industrialist with experience of over 30 years in management and administration in various domains that include real estate, energy, tobacco and other industries.

Mr. Shanti Lal Baid, (Managing Director), is an industrialist with about 38 years experience in the Management and Administration of Electrical Goods and Cables Industries. He serves as a Director at RDB Rasayans Ltd. Mr. Shanti Lal Baid has been a Director of Khatod Investments & Finance Co. Ltd. since June, 2002 and R D Motors Private Limited since November, 2003. Mr. Baid is associated with RRL since August 2001 and oversees the operations.

Mr. Sandeep Baid, (Whole Time Director), is the son of Mr. Shanti Lal Baid. He is a commerce graduate and is associated with Company since April 2008. Mr. Sandeep Baid manages daily operations of the Company and was instrumental in capacity expansion of the Plant from 1800 MT to 7000 MT in 2010. He is associated with the Company since April 2007 as a CFO and in April 2008 he was appointed as a Director.

Analysts	Media
<p>Milind Diwakar, Lead Analyst milind.d@brickworkratings.com</p>	<p>Anitha G media@brickworkratings.com</p>
<p>Sumit Pol, Co-analyst sumit.pol@brickworkratings.com</p>	<p>Relationship Contact</p> <p>Jatin Vyas Vice President – Business Development jatin.v@brickworkratings.com</p>
<p>1-860-425-2742</p>	

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