

Mahi Formaline

Instrument	Amount Rated	Rating Action
Cash Credit Facility	Rs. 5.00 crore	[ICRA]B assigned
Term Loans	Rs. 3.50 crore	[ICRA]B assigned

ICRA has assigned a long-term rating of [ICRA]B (pronounced ICRA B) to the Rs. 5.00 crore¹ cash credit facility and the Rs. 3.50 crore term loans of Mahi Formaline (MF)².

The assigned rating is constrained by the lack of track record of Mahi Formaline's operations as the same is still in the project phase, the risk associated with the stabilization of the plant as per the expected operating parameters and the relatively small envisaged scale of operations. The rating also remain constrained by the exposure of the company's profitability to volatility in raw material prices as well as to the financial profile of the firm, which is expected to remain stretched in the near term given the debt-funded nature of project and impending debt repayment. Further, the assigned rating takes into account the risks associated with being a partnership firm with respect to withdrawals and its impact on net worth and thereby the gearing levels.

The assigned rating, however, favourably factor in the experience of the promoters in the particle board manufacturing industry, the benefits derived from its established group concern in terms of sales and distribution and the favourable outlook for the firm's products driven by the large scale development of commercial and residential real estate in India leading to increasing demand for wood based panels and laminates; consumer preference shifting from plywood to particle boards/ medium density fibreboards.

Firm's Profile

Mahi Formaline (MF) was established on 15th November 2014 with the objective to set up a Greenfield project to manufacture methanol based organic chemical such as Formaldehyde and its derivatives such as Urea Formaldehyde, Melamine Formaldehyde, Phenolic resin and Hexamine. Most of the resins find application in the furniture industry for manufacture of Plywood, Particle Boards, and Laminates whereas few find application in pharmaceuticals and paints industry. The firm has a proposed installed capacity of 2400 tonnes per month of Formaldehyde. The promoters have a long standing experience in the particle board manufacturing industry by the virtue of their association with other particle board oriented firms.

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¹ 100 lakhs = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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