

July 01, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	17.65	SMERA BBB/Stable (Assigned)
Cash Credit	12.00	SMERA BBB/Stable (Assigned)
Bank Guarantee	4.00	SMERA A3+ (Assigned)

SMERA has assigned ratings of '**SMERA BBB**' (read as SMERA triple B) and '**SMERA A3+**' (read as SMERA A three plus) to the Rs.33.65 crore bank facilities of Cosa Ceramics Private Limited (CCPL). The outlook is '**Stable**'. The ratings derive comfort from the company's strong market position supported by steady demand from Kajaria Ceramics Limited (KCL). The ratings are also supported by the company's strong financial risk profile and healthy operating profit margin. However, the ratings are constrained by the company's presence in the highly competitive and fragmented ceramics industry and partial dependence on the cyclical real estate market.

CCPL, incorporated in 2010, is a Rajkot-based company engaged in the manufacture of polished vitrified tiles. The company has increased its installed capacity to 3 msm (million square metre) from 2.7 msm in September, 2015. KCL, one of the largest ceramic companies in India holds a 51% share in CCPL. The main promoter of CCPL Mr. Kishorbhai Patel is having more than 2 decades of experience in ceramic industry.

CCPL contributes 25% (5.70 MSM) to KCL's total installed capacity (18.90 MSM) of polished vitrified tiles. The financial risk profile of CCPL is marked by moderate gearing ratio of 1.18 times for FY2015 (provisional), debt coverage indicators with interest coverage at 4.57 times and cash DSCR of 2.07 times in FY2015 (provisional). The OBDIT margins are steady and healthy at~14.5 percent in FY2015 as the company works on cost plus fixed margin basis with KCL. This safeguards CCPL from fluctuating raw material cost.

CCPL faces intense competition from several players in the highly fragmented ceramics industry and partial dependence on the cyclical real estate market.

Outlook: Stable

SMERA believes that CCPL will maintain its business risk profile over the medium term, backed by rich experience of promoters in the ceramic industry and with KCL's support. The outlook may be revised to 'Positive' if the company maintains its sales growth and profitability. Conversely, the outlook may be revised to 'Negative' if CCPL's revenues and profitability are lower than expected, and/or its financial risk profile deteriorates, most likely due to larger than expected debt-funded capex.

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About the Company

CCPL, incorporated in 2010, is a Rajkot-based company engaged in the manufacture of polished vitrified tiles. CCPL reported profit after tax (PAT) of Rs.7.01 crore on operating income of Rs.151.70 crore for FY2014-15 (provisional), as compared with PAT of Rs.6.97 crore on operating income of Rs.104.71 crore in FY2013-14. The company's net worth stood at Rs.38.13 crore as on March 31, 2015 (provisional), as compared with Rs.31.12 crore a year earlier.

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