

Press Release

Admark Ceramic Industries

November 14, 2018

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 6.00 Cr. |
| Long Term Rating | ACUITE B+ / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 6.00 crore bank facilities of Admark Ceramic Industries (ACI). The outlook is '**Stable**'.

Established in 2013, ACI is a partnership firm engaged in manufacturing of digital ceramic wall tiles through its own manufacturing facilities located at Morbi (Gujarat). ACI started its commercial operations in March 2014. The operations are managed by 2 designated partners, namely, Mr. Ashwin Chapanji and his brother, Mr. Rajesh Kalariya, out of the total of 15 partners. The products are sold under the brand name of 'ADMARK'. The firm has installed capacity of 36,600 tonnes per annum which is at present fully utilised.

Analytical Approach

Acuite has considered standalone business and financial risk profile of ACI to arrive at the rating.

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.5.05 crore as on March 31, 2018 as compared to 3.39 crore as on March 31, 2017. The promoters have infused capital of Rs.0.73 crore in FY2017-18. The debt to equity has improved to 1.33 times for FY18 as compared to 2.00 times for FY17. The interest coverage ratio stood above average at 2.67 times for FY18 as compared to 2.41 times for FY17. Further, the DSCR has also show improvement and stood at 1.37 times for FY18 as compared to 1.02 times for FY17. Acuite expects that the firm will be able to further improve its financial risk profile over the medium term in the absence of any debt funded capex.

- **Locational advantage**

The manufacturing facility is located at Morbi (Gujarat) which is the world's 2nd largest tile manufacturing hub after Guangdong Province in China. The location provides easy access to raw material, skilled labor, ready market and other infrastructure such as coal and gas supply, proximity to major sea ports, Mundra and Kandla.

- **Experienced management**

The promoters of the firm have experience of more than two decades in ceramic industry. The long standing experience and presence of the partners have helped in establishing healthy relationships with customers and suppliers. The firm has ~250 dealership network across India.

Weaknesses

- **Working capital intensive nature of business**

The operations of ceramic industry are working capital intensive. The Gross Current Assets (GCA) stood at 337 days as on March 31, 2018 as compared to 305 days as on March 31, 2017. The high GCA days emanates from stretched debtor turnaround days of 194 in FY18 as compared to 188 days in FY17 and high inventory holding days of 118 days for FY18 as compared to 92 days in FY17. The ability of the firm to reduce debtor and inventory days is key target area.

• Modest scale of operations

The operations of the firm are modest reflected in stagnant turnover of Rs.13.86 crore in FY18 as compared to Rs.13.68 crore in FY17. The installed capacity is fully utilised and the turnover is expected to remain in the range of Rs.14-15.00 crore in the absences of expansion of capacity.

Outlook: Stable

Acuite believes that ACI will maintain a 'Stable' outlook over the medium term owing to its promoter's extensive experience in the ceramic industry. The outlook may be revised to 'Positive' in case ACI reduces its working capital cycle and stretched blockage of fund in inventory and receivables. Conversely, the outlook may be revised to 'Negative' if the firm fails to efficiently manage working capital cycle or decline in turnover from expected levels along with deterioration in financial risk profile owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 13.86 | 13.68 | 15.38 |
| EBITDA | Rs. Cr. | 2.27 | 2.64 | 2.73 |
| PAT | Rs. Cr. | 0.39 | 0.35 | 0.06 |
| EBITDA Margin | (%) | 16.38 | 19.32 | 17.74 |
| PAT Margin | (%) | 2.83 | 2.53 | 0.38 |
| ROCE | (%) | 10.70 | 11.58 | 19.97 |
| Total Debt/Tangible Net Worth | Times | 1.33 | 2.00 | 2.65 |
| PBDIT/Interest | Times | 2.67 | 2.41 | 2.16 |
| Total Debt/PBDIT | Times | 2.89 | 2.92 | 3.51 |
| Gross Current Assets (Days) | Days | 337 | 305 | 281 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.92 | ACUITE B+ / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE B+ / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.08 | ACUITE A4 |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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