



SMERA RATINGS LIMITED

# Logart Ceramic Private Limited (LCPL)

## Rating Rationale

**July 06, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	7.00	SMERA B/Stable (Assigned)
Cash Credit	3.00	SMERA B/Stable (Assigned)
Bank Guarantee	1.65	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.11.65 crore bank facilities of Logart Ceramic Private Limited (LCPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management. The ratings also draw comfort from the location advantage available to the company. However, the ratings are constrained by the company's initial stage of operations. The ratings note that the company is exposed to intense competition in the ceramics industry. The ratings also note that the company's business profile is susceptible to volatility in raw material prices and cyclicity in the end-user industry (real estate). The ratings factor in risks related to the company's high debt repayment obligation.

LCPL, incorporated in March 2014, is a Morbi-based company established to undertake manufacturing of glazed ceramic wall tiles. LCPL has set up a manufacturing unit in Morbi. The company benefits from its experienced management. LCPL's manufacturing unit is in proximity to raw-material sourcing units.

LCPL has established glazed ceramic wall tiles manufacturing unit of Rs.12.55 crore, which is funded through term loan of Rs.7.00 crore and equity and unsecured loans of Rs.5.55 crore. The company able to start its operation on time and has started its commercial production from April 2015. LCPL's profit margins are susceptible to volatility in raw material and fuel prices. The company's business is exposed to the inherent cyclicity in the real estate industry. LCPL has to repay term loan in 78 instalments of Rs.0.09 crore per month, commencing from June 2015.

### Rating sensitivity factors

- Revenues and profitability from operation
- Working capital management

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### Outlook: Stable

LCPL's long-term rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company generates higher-than-expected cash from operations. The outlook may be revised to 'Negative' in case of deterioration in the company's debt protection metrics on account of low net cash accruals or higher-than-expected working capital requirements.

### About the company

LCPL, incorporated in March 2014, is a Morbi-based company established to undertake manufacturing of glazed ceramic wall tiles. LCPL is promoted by Mr. Nileshbhai Detroja, Mr. Manishkumar Bhalodia, Mr. Bharatbhai Panara and Mr. Piyushkumar Fefar. The company is setting up a manufacturing facility with installed capacity of 27,500 metric tonnes per annum in Morbi, Gujarat.

LCPL started its commercial production in April 2015.

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