

Press Release

Firozabad Ceramics Private Limited (FCPL)

10 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.16.34 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the ratings of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Firozabad Ceramics Private Limited (FCPL). The outlook is '**Stable**'.

FCPL was incorporated in 1981 by Mr. Shyam Sundar Jain. The company is engaged in the manufacture of glass ware, table ware, PET jars among others.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced promoters: FCPL was incorporated in 1981. The promoters, Mr. Shyam Sundar Jain, Mr. Dhiraj Jain, Devendra Kumar Jain and Mr. Rajendra Prasad Jain have more than three decades of experience in the glass manufacturing industry.

Weaknesses:

Modest scale of operations: FCPL operates on a moderate scale with operating income of Rs.33.75 crore in FY2015-16 compared to Rs.34.16 crore in FY2014-15. The company registered revenue of Rs.14.00 crore for HY2016-17.

Susceptibility of profit margins to raw material rate fluctuations: The operating margins of the company declined to 15.09 percent in FY2015-16 from 16.93 percent in FY2014-15 due to increase in raw material prices.

Below average financial risk profile: FCPL has below average financial risk profile marked by gearing (debt-equity ratio) of 2.55 times as on March 31, 2016 as compared to 3.14 times as on March 31, 2015. The interest coverage ratio deteriorated to 2.07 times in FY2015-16 from 2.40 times in FY2014-15. The DSCR stood at 0.90 times for FY2015-16.

Working capital intensive business: FCPL's operations are working capital intensive as reflected in its gross current assets of 288 days as on March 31, 2016 (PY: 248 days) on account of high inventory of 212 days in FY2015-16 and 168 days in FY2014-15.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that FCPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenue while achieving improvement in profitability with effective working capital management. Conversely the outlook may be revised to 'Negative' in case of lower than expected revenue, profit margins and deterioration in the financial risk profile.

About the Company

FCPL was incorporated in 1981 by Mr. Shyam Sundar Jain. The company is engaged in the manufacture of glass ware, table ware, PET jars to name a few and caters to restaurants, pharma companies, cosmetic companies among others. The installed capacity stands at 120 tons per day.

For FY2015-16, FCPL reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.33.75 crore, as compared with PAT of Rs.1.13 crore on operating income of Rs.34.16 crore for FY2014-15.

Analytical approach: SMERA has considered standalone financial and business risk profile.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan I	LT	2.31	SMERA B /Stable (Reaffirmed)	NA	NA	8 Oct 2015	SMERA B /Stable (Assigned)	NA	NA
Term Loan II	LT	3.14	SMERA B /Stable (Reaffirmed)	NA	NA	8 Oct 2015	SMERA B /Stable (Assigned)	NA	NA
Cash Credit	LT	8.50	SMERA B /Stable (Reaffirmed)	NA	NA	8 Oct 2015	SMERA B /Stable (Assigned)	NA	NA
Letter of Credit	ST	1.93	SMERA A4 (Reaffirmed)	NA	NA	8 Oct 2015	SMERA A4 (Assigned)	NA	NA
Bank Guarantee	ST	0.46	SMERA A4 (Reaffirmed)	NA	NA	8 Oct 2015	SMERA A4 (Assigned)	NA	NA

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs in Crore)	Ratings/ Outlook
Term Loan I	March 2011	NA	September 2018	2.31	SMERA B /Stable (Reaffirmed)
Term Loan II	July 2011	NA	September 2018	3.14	SMERA B /Stable (Reaffirmed)
Cash Credit	NA	NA	NA	8.50	SMERA B /Stable (Reaffirmed)
Letter of Credit	NA	NA	NA	1.93	SMERA A4 (Reaffirmed)
Bank Guarantee	NA	NA	NA	0.46	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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