

## Press Release

### Umberto Ceramics International Private Limited (UCIPL)

23 March 2018

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs. 87.00 Cr.
<b>Long Term Rating</b>	SMERA BB /Stable (Upgraded from SMERA B+/ Stable)
<b>Short Term Rating</b>	SMERA A4+ (Upgraded from SMERA A4)

\* Refer Annexure for details

### Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB**' (read as **SMERA double B**) from '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A4**' (read as **SMERA A four**) on the Rs. 87.00 crore bank facilities of Umberto Ceramics International Private Limited (UCIPL). The outlook is '**Stable**'.

Umberto Ceramics International Private Limited (UCIPL) incorporated in the year 2011 by Dr Khater Massaad, Mr. Sunil Malesha and Mr. Surendra Reddy. However the company commenced its operations from 2014. The company manufactures porcelain tableware with an installed capacity of producing 10 million pieces per annum. Company is currently operating at full capacity. UCIPL exports 65% of its production to Europe, USA, Australia and Middle East. UCIPL is an owner of brand 'Ariane'.

### Key rating drivers

#### Strengths

##### Experienced Management

The management of the company has more than three decades of experience in the ceramic industry. The Managing Director of the company Mr. Sunil Malesha, has worked for over a decade with R.A.K Ceramics India.

##### Moderate financial risk profile

The debt-equity ratio of the company improved to 1.53 times as on 31 March 2017 as against 2.05 times as on 31 March 2016. The total debt of Rs. 78.27 crores outstanding as on 31 March 2017 comprised of long term loans of Rs.45.54 crores, unsecured loans from Directors and their relatives of Rs. 0.19 crores, external commercial borrowings of Rs. 7.89 crores and short term working capital borrowings Rs. 24.84 crores. Interest coverage ratio improved to 3.00 times in FY2017 as against 0.99 times in FY2016. The debt service coverage ratio also improved from 0.62 times in FY2016 to 1.08 times in FY2015.

##### Improvement in Profitability Margins

UCIPL's EBITDA margins stood at 31.53 per cent in FY2017 as compared to 10.80 per cent in FY2016. The increase in revenues, lower raw material cost and fixed costs contributed to the increased margins. In line with the increase in EBITDA, PAT margins improved to 5.17 per cent in FY2017 as against (14.80) per cent in FY2016.

##### Reputed Clientele

Over the years, the company has developed long standing relationships with its reputed clients. Its major customers include Marriott, Hyatt, Star group of hotels, Radisson hotels, Taj hotels, Oberoi and Holiday Inn to name a few.

## Weaknesses

### Working capital intensive nature of operations

The operations of UCIPL are working capital intensive marked by GCA of 274 days in FY2017 as compared to 291 days in FY2016 on account of high inventory days of 289 and 223 days in FY2017 and FY2016 respectively. The company generally maintains an inventory of 3-4 months on an average. The company's debtors stood at 56 days for the year ending March, 2017 and 2016.

### Presence in a highly competitive and fragmented tableware industry

UCIPL is one of the known and reputed manufacturer of fine porcelain tableware in India but it faces intense competition from other Chinese and local players in the market. The industry is fragmented and competitive with presence of large number of unorganized players.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of UCIPL to arrive at the rating.

## Outlook: Stable

SMERA believes that UCIPL will continue to benefit over the medium term from its established presence in the ceramics tableware industry. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	68.67	62.31	17.51
EBITDA	Rs. Cr.	21.65	6.73	12.74
PAT	Rs. Cr.	3.55	-9.22	-2.37
EBITDA Margin	(%)	31.53	10.80	72.78
PAT Margin	(%)	5.17	-14.80	-13.55
ROCE	(%)	8.46	-1.00	8.59
Total Debt/Tangible Net Worth	Times	1.53	2.05	2.19
PBDIT/Interest	Times	3.00	0.99	2.30
Total Debt/PBDIT	Times	3.57	13.41	7.13
Gross Current Assets (Days)	Days	274	291	795

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

Not Applicable

## Any other information

There were reports of certain frauds committed by one of the company's director Dr. Khater Massaad and his subsequent conviction in the press/ media of Saudi Arabia. However, it has been clarified by UCIPL that Dr. Massaad is no longer a director on the board of the company and necessary filings have been made with MCA. The company further clarified that Mr. Massaad is also no longer associated with Star India Holding Pte Ltd, who is a 42.49% shareholder of UCIPL.

## Applicable Criteria

- Manufacturing Entity: <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-January-2017	Cash Credit	Long Term	20.00	SMERA B+/ Stable (Reaffirmed)
	Term Loan I	Long Term	29.50	SMERA B+/ Stable (Reaffirmed)
	Term Loan II	Long Term	19.50	SMERA B+/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.25	SMERA B+/ Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	SMERA B+/ Stable (Assigned)
	Letter of Credit	Short Term	5.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	5.75	SMERA A4 (Assigned)
09-January-2017	Cash Credit	Long Term	20.00	SMERA B+/ Stable (Assigned)
	Term Loan I	Long Term	17.50	SMERA B+/ Stable (Assigned)
	Term Loan II	Long Term	12.50	SMERA B+/ Stable (Assigned)

### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00 (Enhanced from Rs. 20.00 crore)	SMERA BB / Stable (Upgraded)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	20.71	SMERA BB / Stable (Upgraded)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	15.31	SMERA BB / Stable (Upgraded)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	16.23	SMERA BB / Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA A4+ (Upgraded)

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## ABOUT SMERA

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