

Press Release

Umberto Ceramics International Private Limited

March 28, 2022



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	74.50	ACUITE BB+ Stable Upgraded Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	87.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Reason for Upgrade

The rating upgrade is on account of improvement in terms of revenue and profitability shown by the company. Since the company primarily caters to HORECA segment the operating revenue was impacted by the disruptions in caused in the segment by Covid 19 pandemic. In the current year the company has shown a turnaround in its revenue by achieving Rs. 66.64 Cr by January 2022 and improving its profitability/EBITDA to around 29.8%. Going forward Acuite believes that the company would be able to sustain the growth in revenue and profitability since the pace and coverage of vaccinations around the world would ensure any adverse effect on the segment of unseen covid variant is mitigated and the markets would be resilient to future disruptions caused if any.

About the Company

UCIPL is a Gujarat based company incorporated in the year 2011. However, the company commenced its operations from 2014. The company is engaged in manufacturing of porcelain tableware. The directors of the company are Mr. Sunil Malesha, Mr. Surendhranath Peruma Reddy and Mr. Bernard Gilbert Massaad. UCIPL exports ~60% of its production to Europe, USA, Australia and Middle East. UCIPL is an owner of brand 'Ariane'

Analytical Approach

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

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. The senior management team is ably supported by a strong line of mid-level managers. The company has developed long standing relationships with its reputed customers which includes Marriott, Hyatt, Star group of hotels, Radisson hotels, Taj hotels, Oberoi and Holiday Inn, to name a few. Acuité believes that UC IPL will sustain its existing business profile on the back of experienced management and reputed clientele.

Financial Risk Profile

As a result of covid induced disruption in HORECA segment For FY 2021, financial risk profile of the company has deteriorated with decline in Net worth to Rs. 50 Cr from Rs. 66.01 Cr in FY 2020. The net worth consists of quasi equity of Rs. 21 Cr which is unsecured loans subordinated to banks. Total debt of Rs. 54.45 Cr consists of Rs. 17.50 Cr of Long term debt, Rs. 5.30 Cr of USL, Rs. 29.57 Cr of short term debt and Rs. 2.08 Cr of CPLTD. The leverage of the company increased from 0.77 times in FY 2020 to 1.09 times in FY2021 further TOL/TNW increased and stood at 1.48 times (PY: 1.05 times). Coverage ratios for FY 2021 have deteriorated with ICR moderating from 3.93 times in FY 2020 to 0.26 times in FY 2021. NCA/TD stood at -0.05 times for FY 2021.

However the financial risk profile of the company has improved in 10MFY22 backed by the company achieving a topline of 66 Cr. and profitability margin of ~30% which in turn improved the ICR & DSCR. Going forward the financial risk profile is expected to improve on the back of healthy accretion to reserves and surplus due to recovery in margins and healthy profit booking which would improve Net worth and the coverage indicators are also expected to improve in the near term.

Weaknesses

Working Capital Intensive Industry

For FY 2021 the working capital cycle for the company has intensified with GCA days 601 as against 276 days in FY 2020. The stretch in working capital cycle was a result of hit on revenue of the firm and stretch in inventory, debtor and creditor days. The average bank limit utilization for the current year stood at 31% with 21% utilization in CC facility of SBI, 11% utilization in Bank of Baroda and 60% utilization in Kotak Mahindra Bank.

Presence in a highly competitive tableware industry

UC IPL is a growing manufacturer of fine porcelain tableware which is strengthening its ground in India however it faces intense competition from the imported products from the European and American market.

Rating Sensitivities

- Improving the scale of operations and profitability.
- Any elongation of the working capital cycle.

Material covenants

None

Liquidity Position: Stretched

The liquidity position for FY 2021 is stretched with NCA of Rs. -2.94 Cr against CPLTD of Rs. 2.08 Cr. Going forward the liquidity is expected to improve with the NCA to remain in range of Rs. 20.31 Cr to Rs. 25.80 Cr against CPLTD of Rs. 1.34 Cr in FY 2022 and Rs. 6.57 Cr in FY 2023 respectively. The uneven CPLTD is because of the moratorium availed by the company under

Covid 19 restructuring that happened in June 2021 and majority of the facilities principal repayment will start by December 2022. The average bank limit utilization for the current year stood at 31% with 21% utilization in CC facility of SBI, 11% utilization in Bank of Baroda and 60% utilization in Kotak Mahindra Bank. The investments of Rs. 2.12 Cr is lien marked as margin money for Bank Guarantees and the company maintains cash and bank balance of Rs. 1.27 Cr as of 31st March 2021. Hence in the coming times the liquidity position is expected to become comfortable which will help the company to service its debt obligations.

Outlook: Stable

Acuité believes that UC IPL will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management and relationship with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers substantial and sustained growth in revenues from the current levels while maintaining its operating margins and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	32.55	73.06
PAT	Rs. Cr.	(14.03)	2.99
PAT Margin	(%)	(43.10)	4.10
Total Debt/Tangible Net Worth	Times	1.09	0.77
PBDIT/Interest	Times	0.26	3.93

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Dec 2020	Proposed Long Term Loan	Long Term	23.40	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)
	Cash Credit	Long Term	12.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)
	Term Loan	Long Term	9.35	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)

	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	12.75	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)
	Cash Credit	Long Term	6.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Positive)
26 Sep 2019	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BB+ Positive (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	9.78	ACUITE BB+ Positive (Reaffirmed)
	Term Loan	Long Term	14.62	ACUITE BB+ Positive (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+ Positive (Reaffirmed)
	Proposed Long Term Loan	Long Term	21.10	ACUITE BB+ Positive (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
06 Sep 2019	Cash Credit	Long Term	10.50	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	14.62	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	12.50	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	9.78	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	21.10	ACUITE BB+ Stable (Upgraded from ACUITE BB)
07 Jun 2019	Letter of Credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	20.71	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	24.00	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	15.31	ACUITE BB (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	16.23	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	5.75	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	24.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)

23 Mar 2018	Term Loan	Long Term	20.71	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	15.31	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Proposed Long Term Loan	Long Term	16.23	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	5.75	ACUITE A4+ (Upgraded from ACUITE A4)
25 Jan 2017	Cash Credit	Long Term	20.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	29.50	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	19.50	ACUITE B+ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.25	ACUITE B+ Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	5.75	ACUITE A4 (Assigned)
09 Jan 2017	Cash Credit	Long Term	20.00	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	17.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BB+ Stable Upgraded Negative to Stable
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB+ Stable Upgraded Negative to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ Stable Upgraded Negative to Stable
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	23.40	ACUITE BB+ Stable Upgraded Negative to Stable
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	12.75	ACUITE BB+ Stable Upgraded Negative to Stable
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	9.35	ACUITE BB+ Stable Upgraded Negative to Stable

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