



Press Release
Umberto Ceramics International Private Limited
September 18, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.26	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	4.24	Not Applicable Withdrawn	-
Bank Loan Ratings	12.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	82.76	-	-
Total Withdrawn Quantum (Rs. Cr)	4.24	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) on the Rs. 70.26 Cr. bank facilities and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 12.50 crore bank facilities of Umberto Ceramics International Private Limited (UCIPL). The outlook is '**Stable**'.

Further, Acuite has withdrawn its long-term rating on the Rs. 4.24 crore bank facilities of Umberto Ceramics International Private Limited (UCIPL) without assigning any rating as the instrument is fully repaid. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility/instrument. The rating is being withdrawn on account of request received from the Company and No Due Certificate received from the banker.

Rationale for rating

The rating reaffirmation considers established track record of operations of the company of over a decade and extensive experience of the management in the ceramic industry. Further, the rating considers moderate growth in the revenue albeit healthy profitability margins. The revenue of UCIPL stood at Rs.150.83 Cr. in FY2024(Prov.) against Rs.141.76 Cr. in

FY2023. The operating profit margin stood at 27.12 percent in FY2024(Prov.) compared against 22.98 percent in FY2023. The PAT margin stood at 17.65 percent in FY2024(Prov.) compared to 14.15 percent in FY2023. The increase in profitability is on account of higher price realisations. Further, the rating reflects UCIPL's healthy financial risk profile marked by healthy net worth, gearing and debt coverage indicators.

However, the rating is constrained by limited scale of operations and intensive working capital management as evident from GCA days of 197 days as on March 31, 2024(Prov.).

Going ahead, the company's ability to enhance its scale of operations and maintain its profitability and overall financial risk profile while restricting any significant elongations in working capital cycle will remain key monitorable.

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. UC IPL exports ~40 percent of its production to Europe, USA, Australia and Middle East. UC IPL is an owner of brand 'Ariane'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of UC IPL 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 include Marriott, Hyatt, Star Group of Hotels, Radisson Hotels, Taj Hotels, Oberoi Hotels, and Holiday Inn, to name a few. Acuité believes will sustain its existing business profile on the back of experienced management and a reputed clientele.

Healthy Financial Risk Profile

The financial risk profile of the company improved and remained healthy marked by healthy gearing levels, net worth, and debt-protection metrics. The tangible net worth of the company stood at Rs.107.25 Cr. as on 31 March 2024(Prov.) as against Rs.80.62 Cr. as on 31 March 2023. The net worth has improved on account of accretion of profits to reserves and is gradually expected to further improve over coming years. Furthermore, quasi equity of Rs.21.00 Cr. subordinated to bank loans is also included in the net worth. The gearing level of the company stood at 0.27 times as on 31 March 2024(Prov.) as against 0.48 times as on 31 March 2023. The total debt of the company stood at Rs.29.28 Cr. as on March 31, 2024(Prov.). Interest Coverage Ratio (ICR) stood healthy at 11.96 times for FY2024(Prov.) against 7.29 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 3.66 times for FY2024(Prov.) against 2.79 times for FY23. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.51 times as of March 31, 2024(Prov.) as against 0.73 times as of March 31, 2023. The Debt/EBITDA levels stood at 0.71 times as of March 31, 2024(Prov.) as against 1.18 times as of March 31, 2023.

Acuite believes, that the financial risk profile will remain healthy over the medium term on account of continued accretion to reserves, however, the effect of any major debt funded capex on its financial risk profile remains a key monitorable.

Weaknesses

Working Capital Management

The working capital operations of the company is intensive in nature. The Gross Current Asset (GCA) days stood at 197 days as on March 31, 2024(Prov.) as against 199 days as on March 31, 2023. The increase in GCA days is primarily due to higher inventory levels during the year. The inventory levels stood at 161 days for FY2024(Prov.) when compared against 154 days for FY23. The inventory levels stood high as the company has to maintain an inventory of finished, semi-finished, and raw materials at all times. The debtor days stood at 47 days for FY2024(Prov.) & the same for FY2023. The credit provided by the company ranges between 7 and 60 days from the date of billing, with partial advance receipts from a few customers. UC IPL makes advance payments to some suppliers; however, it generally gets a credit period

of 30–90 days from others. The creditor days in FY2024 (Prov.) stood at 25 days against 20 days in FY2023.

Acuite believes that the ability of the company to improve its scale of operations without any significant elongations in the working capital cycle will be a key monitorable.

Presence in a highly competitive tableware industry

UCIPL is a growing manufacturer of fine porcelain tableware that is strengthening its ground in India but also faces intense competition from imported products from the European and American markets. However, UCIPL is able to overcome the competition as it is one of the major domestic manufacturers of fine porcelain tableware, and the strict quality and consistency controls over the output ensure an edge over the imported tableware.

Rating Sensitivities

1. Increase in scale of operations while maintaining its profitability ensuring a healthy financial risk profile and liquidity profile.
2. Significant elongations in working capital cycle.

Liquidity Position

Adequate

UCIPL's liquidity position is adequate marked by healthy net cash accruals against maturing debt obligations. The company generated cash accruals of Rs.32.28 Cr. in FY2024(Prov.) compared against Rs.6.33 Cr. maturing debt obligation over the same period. During FY2023, UCIPL part-prepaid its term loans, amounting to Rs. 16.00 Cr, through internal cash accruals. The working capital operations of UCIPL are intensive with GCA days of 197 days as on March 31, 2024(Prov.) as against 199 days as on March 31, 2023, however the reliance on working capital limits is moderate marked by average utilization of the working capital limits in the range of ~7.97% - 24.80% during the last 6 months ended July 2024. The company maintains unencumbered cash and bank balances of Rs.1.10 Cr. as on March 31, 2024(Prov.). Going ahead, the net cash accruals are expected to be in the range of Rs.35.14 -Rs.38.23 Cr. against nominal repayment obligations over the medium term.

Acuite believes that, going forward, UCIPL will maintain adequate liquidity position over the medium term on the back of expected healthy net cash accruals generation and buffer available from the moderately utilised working capital limits.

Outlook: Stable

Acuite believes that UCIPL 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 healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management or operating performance, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	150.83	141.76
PAT	Rs. Cr.	26.63	20.06
PAT Margin	(%)	17.65	14.15
Total Debt/Tangible Net Worth	Times	0.27	0.48
PBDIT/Interest	Times	11.96	7.29

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>
- Manufacturing Entities: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jun 2023	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	4.24	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Long Term Loan	Long Term	41.26	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A3+ (Upgraded from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Upgraded from ACUITE A4+)
28 Mar 2022	Cash Credit	Long Term	12.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	10.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	12.75	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	9.35	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Long Term Loan	Long Term	23.40	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A3+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.90	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.60	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.50	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.66	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	26 Feb 2024	Not avl. / Not appl.	30 Jun 2031	Simple	10.50	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	07 Jun 2024	Not avl. / Not appl.	30 Jun 2031	Simple	10.10	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Feb 2024	Simple	4.24	Not Applicable Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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