

## Press Release

### SONATA CERAMICA PRIVATE LIMITED

December 29, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 9.00 Cr.
<b>Long Term Rating</b>	SMERA BB+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 9.00 crore bank facilities of SONATA CERAMICA PRIVATE LIMITED. The outlook is '**Stable**'.

Sonata Ceramica Private Limited (SCPL) is a Gujarat-based company promoted by Mr. Mukesh Patel, Mr. Jayanti Patel and Mr. Dipak Patel. Incorporated in 2001, SCPL is engaged in the manufacture of ceramic tiles and trading of vitrified floor and wall tiles at Himatnagar, Gujarat. The installed capacity stands at 18 lakh square feet per annum.

### Key Rating Drivers

#### Strengths

- **Established operational track record and experienced management.**

SCPL was incorporated in 2001. The company has long track record of operations and long term relations with suppliers and customers. The day-to-day operations are led by Mr. Mukesh Patel, Mr. Dipak Patel and Mr. Jayanti Patel who possess more than 15 years of experience in the ceramic tiles industry.

- **Moderate financial risk profile**

SCPL exhibits moderate financial risk profile marked by net worth of Rs 11.19 crore as on 31 March, 2017 as against Rs 10.67 crore as on 31 March, 2016. The gearing stood at 0.87 times as on 31 March, 2017 against 0.99 times as on 31 March, 2016. The total debt of Rs 9.74 crore comprises unsecured loan of Rs 5.52 crore from promoters, long term borrowing of Rs 0.12 crore and short term borrowing of Rs 4.10 crore as on 31 March, 2017. The company has no long term borrowing outstanding as on 31 October, 2017. The interest coverage ratio stood at 4.02 times for FY2017 and 3.52 times for FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.16 times.

#### Weaknesses

- **Small scale of operations**

The scale of operations is small with operating income of Rs. 30.62 crore for FY2017 as against Rs.31.10 crore in the previous year. However, going forward SMERA expects the company to register marginal growth in revenue supported by reduction in GST -from 28% to 18%. The company has registered revenue of Rs. 22.00 crore during the period April 2017 to October 2017.

- **Working capital intensive operations**

The operations are working capital intensive reflected in the high GCA days of 269 in FY2017 as compared to 228 days in FY2016. The GCA days are mainly dominated by high debtors of 181 days in FY2017. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Operating in a highly competitive and fragmented industry**

The ceramic industry is highly fragmented and intensely competitive with several organised and unorganised players affecting the profit margin of the company.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of SCPL.

### Outlook: Stable

SMERA believes that the company will maintain a stable outlook and continue to benefit over the medium term from its promoters extensive industry experience. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues or operating margins. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile especially liquidity position.

### About the Rated Entity - Key Financials

For FY2016-17, SCPL reported profit after tax (PAT) of Rs 0.51 crore on operating income of Rs.30.62 crore compared with PAT of Rs 0.52 crore on operating income of Rs.31.10 crore for FY2015-16. The networth stood at Rs 11.19 crore in FY2017 as against Rs 10.67 crore in the previous year.

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*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	5.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

### Contacts

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## ABOUT SMERA

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