

Press Release

Special Ceramics Private Limited

D-U-N-S® Number: 86-438-0906

December 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.20 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 9.20 crore bank facilities of SPECIAL CERAMICS PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

The Delhi based, SCPL is incorporated in 1988 and started its operations in 1991. It is engaged in manufacturing of refractory bricks and monolithic as well as other refractory items for glass, cement and carbon black industry. It has installed capacity of 7200 MT/ annum. The company has its own research and development unit located at Bhiwadi (Rajasthan) along with its manufacturing facility.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SCPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

SCPL is promoted by Mr. Sushil Kumar Agrawal and Mr. Anisul Rizvi having extensive experience of more than three decades in the industry. Being backed by the experience, the company has managed to establish long term relationship with its customers and suppliers.

- **Moderate financial risk profile**

The net worth stood moderate at Rs.8.23 crore as on 31 March, 2018 as against Rs.7.14 crore as on 31 March, 2017. The gearing continued to remain comfortable at 0.24 times as on 31 March, 2018 as against 0.26 times in the previous year. The total debt of Rs.1.97 crore includes working capital borrowings of Rs. 0.56 crore, long term borrowings of Rs.0.51 crore and current portion of long term debt of Rs. 0.90 crore. Total outstanding liabilities to total Net worth (TOL/TNW) also stood moderately at 0.83 times as on 31 March, 2018 as against 0.76 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood comfortable at 15.24 times as on March 31, 2018. SCPL has undertaken a capital expenditure plan with estimated project cost of Rs. 4.85 crore funded through term loan of Rs. 3.00 crore and remaining through internal accruals. The gearing is expected to remain comfortable between 0.53 time to 0.24 times considering the additional term loan. Acuité believes that the financial risk profile of SCPL will remain comfortable over the medium term on account of healthy generation of net cash accruals.

Weaknesses

- **Modest scale of operations**

Revenues of the company remained modest despite being in the industry since 1991. The company reported revenues of Rs.18.61 crore in FY2018 as against Rs.19.81 crore in FY2017 and Rs. 21.15 crore in FY2016.

- **Foreign exchange fluctuation risk**

Around 30-40 percent of its finished goods are exported, whereas only 12-15 percent of its raw material requirement is imported which expose the company to foreign exchange fluctuation risk.

- **Intense market competition**

The refractory industry is intensely competitive with several organised and unorganised players and threat from cheaper imports. Further, due to the highly competitive nature of the refractory industry, the players have limited pricing flexibility making it difficult to pass on hike in raw material prices to customers.

Outlook: Stable

Acuité believes that SCPL will maintain a 'Stable' outlook in the medium term backed by promoters' extensive experience and established relations with customers and suppliers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability and net cash accrals. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues or profitability leading to deterioration in the debt protection metrics. Any significant investments or advances to any associates may affect the liquidity and will be key rating sensitivity factor.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.61	19.89	21.15
EBITDA	Rs. Cr.	2.49	2.42	2.57
PAT	Rs. Cr.	1.34	1.14	0.81
EBITDA Margin (%)	(%)	13.41	12.15	12.13
PAT Margin (%)	(%)	7.18	5.74	3.81
ROCE (%)	(%)	19.06	20.29	17.27
Total Debt/Tangible Net Worth	Times	0.24	0.26	0.51
PBDIT/Interest	Times	15.24	17.24	5.83
Total Debt/PBDIT	Times	0.77	0.74	1.20
Gross Current Assets (Days)	Days	136	91	102

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	3.00	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.39	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.81	ACUITE BB / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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