

Press Release

STREAM CERAMIC PRIVATE LIMITED

22 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.05 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.05 crore bank facilities of STREAM CERAMIC PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

SCPL, incorporated in 2013 is engaged in the manufacture of ceramic tiles at Morbi (Gujarat) since July 2015. The company is promoted by Mr. Devraj Sanandiya who possesses more than a decades experience in the ceramic industry. The company sells tiles under the 'Stream' brand name.

Key Rating Drivers

Strengths

• Experienced management

SCPL was promoted by Mr. Devraj Sanandiya who has more than a decade of experience in the ceramic industry. He is joined by other promoters, Mr. Ashwin Sanandiya Mr. Shreyas Jethloja Mr. Mayur Jetpariya Mr. Pradeep Kundaria who possess extensive experience in the industry.

• Locational advantage

Morbi in Gujarat is one of the largest ceramic tile clusters. Since the company's facility is located at Morbi, it enjoys proximity to raw material source.

Weaknesses

• Short track record and small scale of operations

The company commenced commercial operations in 2015. The operating income stood at Rs. 11.11 crore in FY2017 as compared to Rs. 8.35 crore in FY2016.

• Average financial risk profile

The financial risk profile is average marked by net worth of Rs. 5.87 crore as on 31 March, 2017 as compared to Rs. 6.23 crore as on 31 March, 2016. This includes unsecured loans of Rs. 3.80 crore considered as quasi equity. The adjusted gearing (debt-equity) stood at 1.32 times as on 31 March, 2017 as compared to 1.43 times as on 31 March, 2016. The total debt mainly includes long term loans of Rs. 3.53 crore and working capital borrowings of Rs. 2.90 crore as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 2.34 times in FY2017 compared to 1.20 times in FY2016. The Debt Service Coverage ratio (DSCR) stood at 1.11 times in FY2017 and 0.51 times in FY2016. The Total outstanding Liabilities to total Net Worth (TOL/TNW) increased to 2.01 times as on 31 March, 2017 as against 2.00 times as on 31 March, 2016.

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 237 in FY2017 and 284 days in FY2016. The GCA days are mainly dominated by high creditor days of 226 in FY2017 and 648 in FY2016. The average bank limit utilization for the past six months has been more than 95 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical Approach

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

Outlook: Stable

SMERA believes that SCPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely the outlook will be revised to 'Negative' in case of deterioration in its financial risk profile, lower than expected cash accrual or lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.11	8.35	0.00
EBITDA	Rs. Cr.	2.37	1.04	0.00
PAT	Rs. Cr.	-0.36	-1.58	0.01
EBITDA Margin	(%)	21.35	12.47	0.00
PAT Margin	(%)	-3.24	-18.88	0.00
ROCE	(%)	4.13	-4.57	0.11
Total Debt/Tangible Net Worth	Times	1.32	1.43	2.16
PBDIT/Interest	Times	2.34	1.20	0.00
Total Debt/PBDIT	Times	3.17	8.02	1208.38
Gross Current Assets (Days)	Days	237	284	0

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.86	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.16	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.03	SMERA A4

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ABOUT SMERA

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