

Press Release

ALAND CERAMIC PRIVATE LIMITED

28 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.27 Crore
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 6.27 crore bank facilities of ALAND CERAMIC PRIVATE LIMITED (ACPL). The outlook is '**Stable**'.

Aland Ceramic Private Limited (ACPL), a Gujarat-based company incorporated in 2014 is engaged in the manufacturing, sale and export of ceramic and digital wall tiles since September 2015. The company is promoted by Mr. Kantilal Vadaviya and Mr. Hirenbhai Vadaviya with manufacturing unit located at Matel, Rajkot. ACPL exports its products to Israel, Iraq and Saudi Arabia.

Key rating drivers

Strengths

- **Experienced management**

The key promoter, Mr. Kantilal Vadaviya has more than three decades of experience in the ceramic industry. This has helped the company benefit from repeat business and increase in client base.

- **Proximity to rawmaterial source**

The facility is located at Matel in close proximity to Morbi, a manufacturing hub for tiles. This enables easy access to raw materials such as body clay, feldspar and glazed frit.

Weaknesses

- **Average financial riskprofile**

The financial risk profile is marked by net worth of Rs.6.45 crore in FY2017 and Rs.5.71 crore in FY2016. The debt equity ratio stood at 0.95 times in FY2017 as compared to 1.39 times in FY2016. The Interest Coverage Ratio stood at 2.65 times in FY2017 and 2.10 times in FY2016. The DSCR stood at 1.19 times and 2.10 times in FY2016.

- **Intense competition and cyclicity in the real estate industry**

The ceramic industry is highly fragmented with competition from organised and unorganised players. Further, the real estate industry accounts for maximum consumption of ceramic tiles. With cyclicity in the sector, the profitability and cash flows of ACPL are expected to remain vulnerable.

- **Vulnerability of profitability to fluctuations in raw material prices and energy cost**

Raw material and fuel are the two major components determining cost competitiveness in the ceramic industry. Thus margins are expected to remain exposed to movements in raw material prices and the company's ability to pass on the same to customers.

Analytical Approach

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

Outlook- Stable

SMERA believes that ACPL will maintain a stable outlook on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenues and profitability or deterioration in its financial riskprofile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.25	5.82	0.00
EBITDA	Rs. Cr.	2.69	1.19	0.00
PAT	Rs. Cr.	-0.10	-0.35	0.00
EBITDA Margin	(%)	13.98	20.38	0.00
PAT Margin	(%)	-0.54	-5.99	0.00
ROCE	(%)	9.06	2.08	-0.02
Total Debt/Tangible Net Worth	Times	0.95	1.39	0.00
PBDIT/Interest	Times	2.65	2.10	0.00
Total Debt/PBDIT	Times	2.22	7.03	0.00
Gross Current Assets (Days)	Days	111	208	0

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

Crisil rationale dated September 27, 2016 stated that "CRISIL has suspended its ratings on the bank facilities of Aland Ceramic Private Limited (ACPL). The suspension of ratings is on account of non-cooperation by ACPL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, ACPL is yet to provide adequate information to enable CRISIL to assess ACPL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information."

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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	1.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.27	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

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ABOUT SMERA

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