

Press Release

RENITE VITRIFIED LLP

July 04, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 42.25 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 42.25 crore bank facilities of RENITE VITRIFIED LLP (RVL). The outlook is '**Stable**'.

Renite Vitrified LLP (RVL) is a Morbi based limited liability partnership firm established in 2016. It is engaged in manufacturing of nano and twin charged vitrified, glazed vitrified floor and wall tiles. The firm is promoted by seventeen partners with Mr. Paras D. Kavathiya, Mr. Dhirajlal K. Suran and Mr. Jentilal B. Kavathi as the designated partners handling the day to day operations of the firm.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RVL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company benefits from the extensive experience of the promoters who collectively have more than a decade's experience in the ceramic tile industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that the firm will continue to benefit from its experienced management and established relationships with customers.

- **Increase in scale of operations and healthy profitability**

The firm reported revenue growth of ~26.00 percent in FY2019 (provisional) with operating income of Rs.60.83 crore in FY2019 (provisional) as against operating income of Rs.48.18 crore in FY2018. The operating margins of the firm increased to 18.50 percent in FY2019 (provisional) from 12.86 percent in FY2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth, debt protection measures and gearing. The net worth of the firm stood moderate at Rs.20.61 crore as on 31 March, 2019 (provisional) as against Rs.18.98 crore as on 31 March, 2018. The gearing of the firm stood moderate at 1.62 times as on March 31, 2019 (provisional) as against 1.96 times as on March 31, 2018. Total debt of Rs.33.38 crore consists of term loan of Rs.23.71 crore and working capital facility of Rs.9.67 crore as on 31 March, 2019 (provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.94 times as on 31 March, 2019 (provisional) as against 2.51 times as on 31 March, 2018. Interest Coverage Ratio (ICR) improved to 2.69 times in FY2019 (provisional) as against 1.42 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on 31 March, 2019 (provisional) as against 0.05 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) improved to 2.69 times in FY2019 (provisional) as against 1.42 times in FY2018. Acuité expects the firm to maintain moderate financial risk profile in the absence of any major debt funded capex plan.

Weaknesses

- **Intensive working capital operations**

The firm has intensive working capital operations marked by high Gross Current Assets (GCA) of 146 days in FY2019 (Provisional) as against 195 days in FY2018. The inventory and debtors' levels stood at 51 and 100 days in FY2019 (Provisional) as against 93 and 109 days in FY2018, respectively. As a result, the average utilisation of bank limits stood slightly high at ~85 per cent in the last six months ending May 2019. Acuité believes that the working capital operations of the firm will improve over the near to medium term on account of unfolding of existing inventory and management's decision of maintain low inventory going ahead due to its dynamic nature of business.

- **Customer concentration**

RVL sells nearly 50 per cent of its goods to Varmora Granito Private Limited (VGPL) due to which the firm is at high risk of any contagion effect of risks face by VGPL. This would significantly affect the operations and profitability of RVL.

- **Exposed to high competition in ceramic industry and cyclical nature of end user industry**

The ceramic tile industry in India is highly competitive with presence of several regional and unorganised players. Further, the operations of the firm are also exposed to the cyclical nature of the real estate industry which is the main end-user industry of the ceramic industry.

Liquidity position:

RVL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.86-7.13 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.1.87-3.20 crore over the same period. The firm's operations are working capital intensive as marked by high gross current asset (GCA) days of 146 in FY 2019 (provisional). This has led to higher reliance on working capital borrowings, the cash credit limit of the firm remains utilised at ~85 percent during the last 6-month period ended May, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2019 (Provisional). The current ratio of the firm stood moderate at 1.35 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that RVL will maintain a 'Stable' outlook over the medium term owing to extensive experience of the management in the ceramic industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue while achieving improvement in profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position on account of higher than expected working capital borrowing.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	60.83	48.18	0.00
EBITDA	Rs. Cr.	11.25	6.19	-0.04
PAT	Rs. Cr.	1.73	-4.60	0.00
EBITDA Margin	(%)	18.50	12.84	0.00
PAT Margin	(%)	2.84	-9.54	0.00
ROCE	(%)	10.79	-0.26	0.02
Total Debt/Tangible Net Worth	Times	1.62	1.96	1.30
PBDIT/Interest	Times	2.69	1.41	0.00
Total Debt/PBDIT	Times	2.94	5.89	5337.37
Gross Current Assets (Days)	Days	146	195	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Apr-2018	Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	27.33	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	3.25	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	1.67	ACUITE BB / Stable (Assigned)

*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	10.00	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	27.33	ACUITE BB / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.67	ACUITE BB / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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