

## Press Release

**Renite Vitrified LLP**

September 07, 2020



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs.42.25 Cr.
<b>Long Term Rating</b>	ACUITE BB/Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the 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**'.

Established in the year 2016, RVL is a Gujarat based limited liability partnership firm. The firm is engaged in the manufacturing of glazed vitrified floor and wall tiles, nano and twin charged vitrified tiles. The firm is promoted by 17 partners with Mr. Paras D. Kavathiya, Mr. Dhirajlal K Suran and Mr. Jentilal B. Kavathi as the designated partners handling day to day operations of the firm. The manufacturing unit is located in Morbi-Gujarat, with an installed capacity of 73000 MTPA.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

RVL was established in the year 2016. The firm is promoted by 17 partners who collectively have more than fifteen years of experience in the ceramic tile industry. The partners have experience through association as Directors in Sunraj Ceramics Group and Varmora Group companies who have an established presence in the ceramic tile industry. The extensive experience of the partner's has helped the firm to maintain a healthy relationship with its customers and suppliers. The key customers of the firm include names like Ebba House for ceramic and marble company, Varmora Granito Private Limited and Al Mada for ceramic and marble company amongst others with no major concentration in revenues. On the back of stable and repeated orders from its customer, the operating income of the firm has increased by around 16.99 percent to Rs.71.23crore (Prov.) in FY2020 from Rs.60.89crore in FY2019.

Acuité believes that the firm will benefit from the extensive experience of the partners, along with a healthy relationship with its customer and suppliers.

- **Moderate financial risk profile**

RVL's financial risk profile is moderate, marked by moderate net worth, gearing and debt protection metrics. The firm's net worth is moderate and is estimated at around Rs.22.85crore (Prov.) as on March 31, 2020 as against Rs.20.58crore as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020 on account of limited accretion to reserves during the same period. The gearing continues to remain moderate around 1.24 times (Prov.) as on March 31, 2020 as against 1.62 times as on March 31, 2019. The total outstanding borrowing as on March 31, 2020 is Rs.28.25crore which includes long term borrowings of Rs.19.05crore and short term borrowing of Rs.9.19crore. As on March 31, 2020, total outside liabilities to tangible net worth (TOL/TNW) levels stand

at 2.01 times (Prov.) as against 1.94 times as on March 31, 2019. The firm, on the other hand, generated cash accruals of Rs.8.27crore (Prov.) in FY2020.

The revenue of the firm has increased by around 16.99 percent to Rs.71.23crore (Prov.) in FY2020 from Rs.60.89crore in FY2019. EBITDA in absolute term has remained almost the same and it is estimated to be around Rs.11.71crore (Prov.) in FY2020 as against Rs.11.42crore in FY2019. Similarly, PAT has increased from Rs.1.71crore in FY2019 to Rs.2.87crore (Prov.) in FY2020. The NCA/TD and interest coverage ratio for FY2020 stands at 0.29times (Prov.) and 3.36times (Prov.) respectively as against 0.22times and 2.76times in FY2019, respectively. The Debt-EBITDA ratio stands at 2.40 times (Prov.) in FY2020 against 2.88 times in FY2019. Acuite expects the firm to maintain a moderate financial risk profile in the absence of many major debt-funded capex plan.

## **Weaknesses**

- **Working capital intensive nature of operations**

RVL's working capital operation is intensive in nature as it is reflected by its Gross Current Asset (GCA) days of around 194 days (Prov.) in FY2020 as against 146 days in FY2019. The working capital cycle days have improved from 112 in FY2019 to 104 days (Prov.) in FY2020. The firm maintains an inventory holding period of 51 days (Prov.) as on 31 March, 2020. RVL has receivable days of 149 (Prov.) as on 31 March, 2020 as against 100 days as on 31 March, 2019. Longer payment term has resulted in accumulated receivables of Rs.28.84crore (Prov.) as on 31 March, 2020. On the other hand, the credit payment to its supplier has increased to 95 days (Prov.) as on 31 March, 2020 as against 39 days as on 31 March, 2019. As a result, the average bank limit utilization stood moderate at around 82.47 percent for seven months ended July, 2020, while its peak utilization was high at around 97.10 percent during the same period. Acuite expects the working capital management to remain intensive over the medium term on account of stretched receivables.

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

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

## **Liquidity Position: Adequate**

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.8.27crore (Prov.) in FY2020 as against the maturing debt obligations of Rs.3.80crore during the same period. The cash accrual of the firm is estimated to remain around Rs.8.91crore to Rs.11.64crore during 2021-23 against repayment obligations of around Rs.4.46crore to Rs.5.42crore during the same period. The firm's working capital operations are intensive marked by the Gross Current Asset (GCA) days of 194 days (Prov.) in FY2020 as against 146 days in FY2019. The average bank limit utilization stood moderate at around 82.47 per cent for seven months ended July, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.28crore (Prov.) as on 31 March 2020. Further, the firm has an investment of Rs.1.99crore (Prov.) as on March 31, 2020. The current ratio stands at 1.49 times (Prov.) as on 31 March 2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy net cash accruals to its debt repayments over the medium term.

### Rating Sensitivities

- Improvement in the profitability margins
- Further deterioration in the working capital management thereby impacting the liquidity

### Outlook: Stable

Acuité believes that RVL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive', if the firm demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if the firm generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	71.23	60.89
PAT	Rs. Cr.	2.87	1.71
PAT Margin	(%)	4.02	2.80
Total Debt/Tangible Net Worth	Times	1.24	1.62
PBDIT/Interest	Times	3.36	2.76

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

Not Applicable

### Any other information

None

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-July-2019	Cash Credit	Long Term	10.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	27.33	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.25	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	1.67	ACUITE BB/Stable (Reaffirmed)
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 Loan	September, 2017	Not Applicable	March, 2025	18.14	ACUITE BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A4+ (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.67	ACUITE BB/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.19	ACUITE BB/Stable (Reaffirmed)

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### About Acuité Ratings & Research:

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