



Press Release

Arise Ceramic Private Limited

October 15, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 6.00 crore bank facilities of ARISE CERAMIC PRIVATE LIMITED (ACPL). The outlook is '**Stable**'.

The Gujarat based, ACPL was incorporated in 2013. ACPL is a ceramic division of Adroja Group and Angel Pumps Private Limited is the flagship company of this group founded in 1986. The company is engaged in manufacturing of ceramic wall tiles of 300X450 mm (12X18) and 300X600 mm (12X24) ranges. Further, the company manufactures 300X300 mm (12X12) of floor tiles. The manufacturing facility is located in Gujarat having an installed capacity of 9000 boxes per day with ~70 percent utilisation.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Arise Ceramic Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

ACPL is promoted by Adroja family. Mr. Ashwinbhai Adroja is the managing director of the company with over a decade of experience in the ceramic products industry. Further, Mr. Narendrakumar Adroja (Director), Mr. Kiritkumar Adroja (Director) and Mr. Shivilbhai Adroja (Director) have around a decade of experience in the same line of business. Acuite believes that ACPL will benefit from its experienced management in the aforementioned industry.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company remained average marked by net worth of Rs.3.80 crore as on 31 March, 2018 as against Rs.3.46 crore as on 31 March, 2017. The gearing stood at 1.75 times as on 31 March, 2018 as against 1.98 times as on 31 March, 2017. The total debt of Rs.6.67 crore as on 31 March, 2018 mainly comprises of Rs.4.61 crore of long term debt, Rs.0.63 of working capital facility and Rs.1.43 crore of unsecured loans from directors. The Interest Coverage Ratio (ICR) stood at 3.21 times for FY2018 as against 3.49 times for FY2017. TOL/TNW stood at 3.23 times in FY2018 as against 3.85 times in FY2017. Further, Debt to EBITDA stood at 2.74 times in FY2018 as against 2.09 times in FY2017.

- **Moderate scale of operations and profitability**

ACPL has reported operating income of Rs.15.90 crore in FY2018 as against Rs.14.32 crore in FY2017. Further, the operating margin shows a declining trend with 14.89 percent in FY2018 as against 22.47 percent in FY2017 and 28.37 percent in FY2016. The decline is mainly due to fluctuation in raw material prices and increased employee cost. Profit after Tax (PAT) margin declined to 2.13 percent in FY2018

as against 4.42 percent in FY2017.

- **Working capital intensive operations**

ACPL has working capital intensive nature of operations marked by high Gross Current Assets (GCA) of 185 days in FY2018 as against 206 days in FY2017. This is mainly due to high inventory of 77 days in FY2018 as against 93 days in FY2017. The debtors are also high at 99 days in FY2018 as against 121 days in FY2017.

- **Competitive and fragmented industry**

The company operates in a highly competitive and fragmented industry with large number of unorganised players present in the market putting competitive pricing pressure on ACPL which affects the margins.

Outlook: Stable

Acuite believes that ACPL will maintain 'Stable' outlook over the medium term on the back of experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.90	14.32	10.01
EBITDA	Rs. Cr.	2.37	3.22	2.84
PAT	Rs. Cr.	0.34	0.63	0.05
EBITDA Margin	(%)	14.89	22.47	28.37
PAT Margin	(%)	2.13	4.42	0.51
ROCE	(%)	11.69	14.82	15.65
Total Debt/Tangible Net Worth	Times	1.75	1.98	4.41
PBDIT/Interest	Times	3.21	3.49	2.62
Total Debt/PBDIT	Times	2.74	2.09	4.35
Gross Current Assets (Days)	Days	185	206	345

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	2.13	ACUITE B+ / Stable
Term loan	Not Applicable	Not Applicable	Not Applicable	3.87	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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