



Press Release
OPA QUE CERAMICS PRIV ATE LIMITED
November 14, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	17.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to "**ACUITE BBB-' (read as ACUITE Triple B Minus)**" from '**ACUITE BB' (read as ACUITE Double B)**' on the Rs.17.00 crore bank facilities of OPAQUE CERAMICS PRIVATE LIMITED (OCPL). The outlook is '**Stable**'.

Rationale for Upgrade

The upgrade in rating takes into consideration the operating and financial performance of the company during the last two years ended FY2023. The operating income of the company stood at Rs.137.67 Cr in FY2023 as against Rs.160.85 Cr in FY2022 and Rs.86.72 Cr in FY2021. The reason for improvement in operating income in FY2022 is increase in overall demand across the industry. The operating margins stood comfortable at 14.64% in FY2023. The operating profitability was particularly higher in FY2022 at 31.12 percent on account of reduced input prices and improved price realisations. While the trend of higher price realisations continued in FY2023, the increase in input material prices led to moderation in margins, however, remained comfortable. The operating profitability is estimated to range between 15% to 20% in the medium term. Further, the rating takes into account the low gearing of the company which stood at 0.06 times as on March 31, 2023 as against 0.04 times as on March 31, 2022 and 0.05 times as on March 31, 2021. Also, the DSCR levels stood healthy at 18.96 times as on March 31, 2023 as against 84.65 times as on March 31, 2022 and 28.18 times as on March 31, 2021. The rating also derives strength from extensive experience of the management, adequate liquidity, strong clientele namely Somany Ceramics limited, Kajaria Sanitaryware Private Limited, Vidres India Ceramics Private Limited, Murugappa Morgan Thermal Ceramics Limited and among others. The rating is however constrained by the company's working capital intensive nature of operations and highly competitive and cyclical nature of end user industry.

About the Company

Himmatnagar-based, Opaque Ceramics Private Limited (OCPL) was incorporated in 1994 by Mr. Mahesh Vohra. Opaque Ceramics Private Limited is engaged in manufacturing of zirconium silicate, which is used in the ceramic and vitrified tiles industry for whitening and glazing tiles and is headed by Mr. Atit Vora, Mr. Nishant Vora and Ms. Kalpana Vora. The company's manufacturing unit is located in Himmatnagar, Gujarat with an annual installed capacity of 24,000 Tons per annum. Production process involves processing Zircon sand in the ballmill along with some chemicals and this is done according to the specifications of the client.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The promoters of OCPL, Mr. Atit M. Vohra, Mr. Nishant M. Vora and Ms. Kalpana M. Vora, have extensive experience in the aforementioned industry. Further, having two decades of operational track record has enabled the company to maintain healthy relations with its customers namely Somany Ceramics limited, Kajaria Sanitaryware Private Limited, Vidres India Ceramics Private Limited, Murugappa Morgan Thermal Ceramics Limited and among others. The extensive experience of the promoters is also reflected through its healthy revenue in the past two years. The revenues of the company stood at Rs.138 crore in FY2023 as against Rs.161 crore in FY2022 and Rs.87 crore in FY2021. Further, the company has its presence in Spain, Russia, Morocco, Saudi Arabia, U.S.A. and among others. The company is aiming to achieve 20% of its revenue from exports in the current financial year i.e., FY2024 which in FY2023 stood at 10% . The company has achieved Rs.86 Cr till September 2023 and is estimated to generate revenue ranging between Rs.160-170 Cr in FY2024.

Acuité believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit OCPL over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and low debt protection metrics. The tangible net worth stood at Rs.95.62 crore as on 31 March, 2023 as against Rs.79.35 crore as on 31 March, 2022 and Rs.41.17 crore as on March 31, 2021. The total debt of the company stood at Rs.5.79 crore includes Rs.2.09 crore of long-term debt, Rs.2.88 crore of short-term debt, Rs.0.70 crore of unsecured loans and Rs.0.12 Cr of CPLTD as on 31 March 2023. The gearing (debt-equity) stood at 0.06 times as on 31 March, 2023 as compared to 0.04 times as on 31 March, 2022 and 0.05 times as on March 31, 2021. Interest Coverage Ratio stood at 28.37 times for FY2023 as against 112.81 times for FY2022 and 46.01 times for FY2021. Debt Service Coverage Ratio (DSCR) stood healthy at 18.96 times in FY2023 as against 84.65 times in FY2022 and 28.18 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.55 times as on 31 March, 2023 as against 0.29 times as on 31 March, 2022 and 0.83 times as on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 2.77 times for FY2023 as against 10.79 times for FY2022 and 3.71 times for FY2021.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by comfortable net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

Working capital intensive nature of operations

The operations of the company are working capital intensive marked by GCA days of 201 days for FY2023 as against 107 days for FY2022 and 145 days in FY2021. The GCA days are reflected by high receivable and inventory days. The inventory levels stood at 46 days in FY2023 as against 13 days in FY2022 and 36 days in FY2021. The average inventory holding period stood at 60 days. The debtor days are at 123 days for FY2023 as against 72 days for FY2022 and 83 days in FY2021. The average credit period allowed to customers is 60-75 days and sometimes the company believes in collecting immediately. The creditor days of the company stood at 89 days for FY2023 as against 12 days for FY2022 and 148 days in FY2021. Further, the average credit period allowed by suppliers is 90-120 days. However, the average utilization of the fund-based facilities stood at ~5% and for non-fund-based facilities of the company remained at ~5-10 percent for last six months ended September 2023.

Acuité believes that the management of its working capital cycle will remain crucial to the company.

Susceptibility of operating margin to volatility in raw material prices

The operating profit margin of the company stood at 14.64% in FY23 as against 31.12% in FY22 and 9.57% in FY21. The fluctuation in the margins is due to fluctuations in the raw material and gas prices. Moving forward the company is aiming to keep the margins in the range of 15-20%.

The PAT margin of the company stood at 10.78 percent in FY23 as against 23.35 percent in FY22 and 7.70 percent in FY21. Further, the company's major raw material (~95%) is imported from USA, Australia, South Africa, Indonesia and among others. The company is also into practice of foreign exchange risk.

Rating Sensitivities

- Ability to achieve significant improvement in its scale of operations while maintaining profitability margin.
- Elongation in working capital cycle.

All Covenants

Not Applicable

Liquidity Position

Adequate

OCPL's liquidity is adequate marked by net cash accruals of Rs.16.03 Cr in FY2023 and Rs.38.28 Cr in FY2022 against repayment obligations of Rs.0.07-0.12 Cr for the same period. The company is expected to generate cash accruals in the range of Rs.20.16-25.42 crore in FY2024-2025 compared against maturing debt obligations of Rs.0.18-0.19 crore over the same period. The GCA days of the Company stood at 201 days as on March 31, 2023 as against 107 days as on March 31, 2022. The average utilization of the fund-based facilities stood at ~5% and for non-fund-based facilities of the company remained at ~5-10 percent for last six months ended September 2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2023 as against Rs.0.14 crore as on March 31, 2022. The current ratio also stood at 2.79 times as on March 31, 2023 as against 4.59 times as on March 31, 2022.

Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes OCPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and its healthy relations with its customers. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues from the current levels, while maintaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	137.67	160.85
PAT	Rs. Cr.	14.85	37.56
PAT Margin	(%)	10.78	23.35
Total Debt/Tangible Net Worth	Times	0.06	0.04
PBDIT/Interest	Times	28.37	112.81

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

Not Applicable

Any other information

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2023	Letter of Credit	Short Term	14.50	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	2.00	ACUITE BB (Issuer not co-operating*)
02 Mar 2022	Cash Credit	Long Term	2.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	14.50	ACUITE A4+ (Issuer not co-operating*)
07 Dec 2020	Cash Credit	Long Term	2.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	14.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB- Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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