

Press Release

Vintage Tiles Private Limited

August 10, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.50.00 crore bank facilities of Vintage Tiles Private Limited (VTPL). The outlook is '**Stable**'.

Rationale for Ratings Assigned

The rating assigned takes into account the extensive experience of the management and established track record of operations of VTPL. The rating also factors in the strong support from its parent company i.e Somany Ceramics Limited (SCL). The rating is however constrained by the company's below average financial risk profile, working capital intensive nature of operations and highly competitive and cyclical nature of end user industry.

About the Company

Incorporated in 2010, Gujarat based, Vintage Tiles Private Limited (VTPL) is engaged in manufacturing of double charge vitrified tiles. Promoted and managed by Mr. Jayant Patel along with his sons Mr. Nirav J Patel and Mr. Rajan J Patel., VTPL has its manufacturing facility located at Bhadiyad, Morbi, Gujarat with an installed capacity of 101260 Sq meters. Somany Ceramics Limited (SCL) holds 50 percent stake in VTPL as on March 31, 2022.

Analytical Approach

Acuite has considered standalone business and financial risk profile of VTPL and has notched up the standalone rating of VTPL by factoring in the operational and financial support extended by SCL to VTPL.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 2010, VTPL is engaged in manufacturing of double charge vitrified tiles. The company is promoted and managed by Mr. Jayant Kumar J Patel along with his sons Mr. Nirav J Patel and Mr. Rajan J Patel. Mr. Jayant Patel possess over thirty years of industry experience, while both his sons have been associated with the ceramics industry for more than a decade. The promoters are ably supported by a team of qualified and experienced senior management team and mid-level managers. The team also includes representatives from SCL. The Board of VTPL includes two nominee directors while the technical team of VTPL also includes representatives of SCL. VTPL's operating income stood at Rs.143.11 Cr in FY2022 as against Rs.112.71 Cr in FY2021 and Rs.116.80 Cr in FY2020. The entire output of VTPL is sold to SCL and is marketed by SCL under its 'Somany' brand.

Acuité believes that VTPL will continue to benefit from its experienced management and long track record of operations over the medium term.

Support from Parent Company

As on date Somany Ceramics Limited holds 50 percent take in VTPL. In the year 2012, SCL increased its stake in VTPL from 25 percent earlier and supported VTPL in expansion of its production capacity. VTPL increased its production capacity to 101260 Sq Meters from 65100 Sq Metres by incurring a total project cost of Rs.22 Cr which was funded partly by SCL by way of infusion of equity share capital and unsecured loans and balance was funded by debt and internal accruals of VTPL. The unsecured loans continue to remain in the business. Further, the entire output of VTPL is sold to SCL which markets it under its 'Somany' brand. Further, the Board of VTPL includes two nominee directors of SCL and technical team of VTPL also comprises of representatives of SCL.

Acuité believes that VTPL will continue to benefit from the support of its from parent company over the medium term.

Weaknesses

Below average financial risk profile

VTPL has a below average financial risk profile marked by tangible net worth of Rs.20.24 crore as on 31 March, 2022 as against Rs.19.58 crore as on 31 March, 2021 and Rs.20.53 crore as on 31 March 2020. The gearing level of the company stood at 2.14 times as on 31 March, 2022 as against 1.93 times as on 31 March, 2021 and 1.70 times as on 31 March 2020. The total debt outstanding of Rs.43.34 crore as on March 31, 2022 consists of working capital borrowings of Rs.21.33 crore and term loan of Rs.22.01 crore as on 31 March, 2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.14 times as on March 31, 2022 against 2.56 times as on March 31, 2021 and 2.61 times as on March 31, 2020.

The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 1.78 times for FY2022 against 1.49 times for FY2021 and 1.36 times for FY2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.11 times for FY2022 as against 0.09 times for FY2021 and 0.08 times for FY2020.

Acuite believes improvement in VTPL's financial risk profile over the medium term will remain a key rating monitorable.

Working capital intensive nature of operations

The operations of the company are working capital intensive marked by GCA days of 99 days for FY2022 as against 77 days for FY2021 and 82 days for FY2020. The GCA days are primarily driven by inventory holding period of 69 days for FY2022 compared against 77 days for FY2021 and 82 days for FY2020. The debtor days are low at 23 days for FY2022 as against 1 day for FY2021 and FY2020. The creditor days of the company stood at 99 days for FY2022 as against 71 days for FY2021 and 98 days for FY2020. The average utilization of the fund based

facilities of the company stood on the higher side at ~85 percent for last seven months ended June' 22.

Intense competition and vulnerability to cyclical in end-user industry

The ceramic tiles industry is intensely competitive, with many small and large players. Additionally, the industry is fragmented and dominated by the unorganised sector. The competition, intensified in the recent past because of moderation in demand with continued slowdown in the real estate sector. Intense competition restricts the profitability, given the limited pricing flexibility.

Rating Sensitivities

- Ability to achieve significant improvement in its scale of operations while maintaining profitability margin
- Elongation in working capital cycle
- Improvement in financial risk profile

Material covenants

None

Liquidity Position: Adequate

VTPL generated net cash accruals of Rs.4.97 Cr in FY2022 and Rs.3.34 Cr in FY2021 against repayment obligations of Rs.6.30 Cr and Rs.5.82 Cr for the same period. The gap in funding requirement was met partly by infusion of funds by promoters and parent company by way of unsecured loans and partly by raising funds from other financing sources. The company is expected to generate cash accruals in the range of Rs.7.00-9.00 crore in FY2023-2024 compared against maturing debt obligations of Rs.5.5-6.5 crore over the same period. The GCA days of the Company stood at 99 days as on March 31, 2022. The average utilization of the fund based facilities of the company ranged around ~85 percent for last seven months ended June' 22. Furthermore, the company maintains unencumbered cash and bank balances of Rs.4.30 crore as on March 31, 2022 and the current ratio also stood at 0.82 times as on March 31, 2022. Acuite expects VTPL's liquidity to remain adequate over the medium term on account of track record of timely support by promoters and parent company in the past and expected moderate net cash accruals against repayment obligations over the medium term.

Outlook: Stable

Acuite believes that VTPL will maintain 'Stable' outlook over the medium term on account of its experienced management, established track record of operations and support from parent company. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile or withdrawal of support from parent company.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	143.11	112.71
PAT	Rs. Cr.	0.57	(0.96)
PAT Margin	(%)	0.40	(0.85)
Total Debt/Tangible Net Worth	Times	2.14	1.93
PBDIT/Interest	Times	1.78	1.49

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	11.70	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.30	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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