Press Release

Vintage Tiles Private Limited

November 01, 2023

Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE t riple 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 Rating

The rating reaffirmation takes into account the improvement in the operating performance of the company marked by improved revenues and range bound margins. The revenue of the company has improved to Rs.154 Cr in FY2023 as against Rs.143 Cr in FY2022. Also, the rating takes into consideration the extensive experience of the management, established track record of operations and adequate liquidity 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.

Unsupported Rating

ACUITE BB/Stable/A4+

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.153.89 Cr in FY2023 as against Rs.143.11 Cr in FY2022. The entire output of VTPL is sold to SCL and is marketed by SCL under its 'Somany' brand. Further, VTPL has orders worth Rs.175 Cr in hand from SCL for FY2024, in which VTPL has already achieved Rs.68 Cr till September 2023.
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 has its installed capacity of manufacturing 10000 boxes per day. Further, the unsecured loans continue to remain in the business. Also, 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

The financial risk profile of the company stood below average marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.20.39 crore as on 31 March, 2023 as against Rs.20.24 crore as on 31 March, 2022. The total debt of the company stood at Rs.34.58 crore includes Rs.9.37 crore of long-term debt, Rs.18.61 crore of short-term debt, and Rs.6.60 crore of CPLTD as on 31 March 2023. The gearing (debt-equity) stood at 1.70 times as on 31 March, 2023 as compared to 2.14 times as on 31 March, 2022. Interest Coverage Ratio stood at 1.69 times for FY2023 as against 1.78 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 0.88 times in FY2023 as against 0.93 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.96 times as on 31 March, 2023 as against 3.14 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2023 as against 0.11 times for FY2022.
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 moderate GCA days of 93 days for FY2023 as against 99 days for FY2022. The GCA days are reflected by moderate inventory levels of 68 days for FY2023 as compared against 69 days for FY2022. The debtor days are at 26 days for FY2023 as against 23 days for FY2022. The creditor days of the company stood at 130 days for FY2023 as against 99 days for FY2022. The company gets a credit period of 30 to 90 days from its suppliers. Further, VTPL is in agreement with Somany Ceramics Limited (SCL) for a credit period of 45 days, however SCL does the payment immediately. The average utilization of the fund-based and non-fund-based facilities of the company remained at ~70 percent for last nine months ended September 2023.
Acuite believes improvement in VTPL's working capital operations will remain a key rating sensitive.

Intense competition and vulnerability to cyclicality 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

All Covenants
Not Available

Liquidity Position
Adequate
VTPL generated net cash accruals of Rs.4.74 Cr in FY2023 and Rs.4.97 Cr in FY2022 against repayment obligations of Rs.6.60 Cr and Rs.6.30 Cr for the same period. The gap in funding requirement is 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.6.95-9.20 crore in FY2024-2025 compared against maturing debt obligations of Rs.4.01-5.40 crore over the same period. The GCA days of the Company stood at 93 days as on March 31, 2023. The average utilization of the fund-based and non-fund-based facilities of the company remained at ~70 percent for last nine months ended September 2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.38 crore as on March 31, 2023 and the current ratio also stood at 0.78 times as on March 31, 2023. 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.
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.

Outlook: Stable
Acuité 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.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	153.89	143.11
PAT	Rs. Cr.	0.09	0.57
PAT Margin	(%)	0.06	0.40
Total Debt/Tangible Net Worth	Times	1.70	2.14
PBDIT/Interest	Times	1.69	1.78

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, Acuité 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
10 Aug 2022	Cash Credit	Long Term	25.00	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	5.30	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	11.70	ACUITE BBB- | Stable (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3 | Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.10	ACUITE BBB- | Stable | Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.90	ACUITE BBB- | Stable | Reaffirmed

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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.