



September 20, 2010

## **ICRA upgrades Somany Ceramics Limited short-term rating to A2; re-affirms the long-term rating at LBBB and assigns stable outlook; the rated amount is enhanced**

ICRA has reaffirmed the LBBB (pronounced L triple B) rating assigned to the fund based facilities of Somany Ceramics Limited for an enhanced amount of Rs 90 crore<sup>1</sup> and long Term Loans for an enhanced amount of Rs 87.82 crore<sup>†</sup>. The outlook on long term rating is stable. ICRA has upgraded the rating assigned to the enhanced amount of Rs 44 crore Non Fund based bank facilities of SCL to A2 (pronounced A two).

The rating action assigned takes into account SCL's established position in the domestic tiles market in the Northern & Southern region, favourable long term demand prospects for flooring and wall tiles in the domestic markets and presence of manufacturing facilities both in the northern & western regions. The ratings are also supported by the adequate liquidity despite the working capital intensive nature of business as reflected by the unutilized working capital limits of the company. Further, the company's financial profile has shown an improvement during FY 2010 and first quarter of FY 2011 as reflected by an increase in operating margins and accruals, which in turn has led to an improved gearing and coverage indicators of the company. The ratings are however constrained by the fact that although, the gearing has declined it still remains on a higher side. The ratings are also constrained by the small size of SCL in relation to the two largest players in the industry, exposure of the company's revenue and profitability to vagaries of the real estate and construction industry and the highly competitive nature of the industry. Going forward, the company's ability to maintain its profitability and a favourable capital structure while undertaking future expansions/acquisitions will remain key rating drivers.

### **Company Profile**

Somany Ceramics Limited (formerly Somany Pilkingtons' Limited) was incorporated in 1969 as a manufacturer of ceramic tiles, by Mr HL Somany in collaboration with Pilkington's of U.K as a widely held Company. Since then the company has extended production capacities as well as the product range. Currently SCL is mainly engaged in the business of manufacturing, outsourcing and trading of ceramic wall and floor tiles. The company has two manufacturing facilities- at Kassar in Haryana (near Delhi) and Kadi in Gujarat (near Ahmedabad) with an aggregate capacity of 19.15 million sqm per annum. The company markets its tiles under the established brand names like 'Somany', 'Durastone', 'VC Shield', 'Somany Express' etc. The company is also present in the sanitary ware segment through outsourcing from domestic / global markets under the brand 'Acquaware'. The company's has been (i) increasing manufacturing of value added products in its own plants, (ii) importing high value added products both tiles and sanitary wares which can't be profitably manufactured in its own plants and (iii) outsourcing low end ceramic tiles and polished vitrified tiles from the local manufacturers. SCL is thus present in all the segments of the value chain.

### **Recent Results**

Somany Ceramics Limited reported a profit after tax (PAT) of Rs 4.8 Crore in Q1 FY 2009-10 on an operating income of Rs 133.06 Crore registering an increase of 33% in operating income qoq. The company reported a profit after tax (PAT) of Rs 20.45 Crore in FY 2009-10 on an operating income of Rs 539.07 Crore registering an increase of 22% in operating income over previous year. This was led by an increase in sales in the high value add, high margin tiles segments and also increased sales of outsourced vitrified tiles and low end ceramic tiles.

*September 2010*

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## **PRESS RELEASE**

**Disclaimer:** ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website ([www.icra.in](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.



# **I C R A Limited**

*An Associate of Moody's Investors Service*

---

*For further details please contact:*

*Analyst Contacts:*

**Sabyasachi Majumdar** (Tel. No. +91-124-4545304)

[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

*Relationship Contacts:*

**Vivek Mathur** (Tel. No. +91-124-4545310)

[vivek@icraindia.com](mailto:vivek@icraindia.com)

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".  
The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

---

## **PRESS RELEASE**

**Disclaimer:** ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website ([www.icra.in](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.