

April 07, 2025

Sanskar Ceramics Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term loan	35.49	10.67	[ICRA]BBB (Stable); reaffirmed
Fund-based – Cash credit	35.00	35.00	[ICRA]BBB (Stable); reaffirmed
Non-fund based – Bank guarantee	7.40	7.40	[ICRA]A3+; reaffirmed
Total	77.89	53.07	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings for Sanskar Ceramics Private Limited (SCPL) factors in its association with Prism Johnson Limited (PJL, which holds 50% stake), along with the extensive experience of its promoters and favourable location of the company's plant (Morbi, Gujarat) with proximity to raw material sources. The company's association with H&R Johnson (India) (HRJ), which is a division of PJL, helps it to leverage the latter's strong brand, established market position and vast distribution network. Moreover, the offtake risk for SCPL is mitigated because of its sales arrangement with HRJ, which enables savings in marketing and distribution overheads. At present, SCPL sells its entire production to PJL. The ratings draw comfort from the promoter group's commitment to extending timely direct/indirect financial support to the company, in case the need arises. Over the years, PJL has supported the entity by providing timely financial support highlighting the management's sensitivity to reputation risk associated with any of PJL entities.

The ratings, however, remain constrained by SCPL's average financial risk profile, characterised by moderate profitability, average debt coverage indicators and high working capital intensity. The ratings are constrained by the vulnerability of SCPL's profitability to fluctuations in raw material and fuel prices, intense competition in the industry and the exposure of its operations and cash flows to the cyclicity in the real estate industry, which is the key end-user sector. SCPL's revenue and operating margin (OPM) declined on a YoY basis in 9M FY2025 (provisional revenues of Rs. 135 crore, -8% on a YoY basis; OPM 7.8% in 9M FY2025 Vs. 10.1% in FY2024) due to subdued demand and oversupply situation in the domestic market. The existing plant capacity is expected to support an increase in SCPL's scale of operations over medium term. With likely decline in profitability in FY2025e, the debt coverage metrics are expected to moderate. Nonetheless, with limited capex and debt repayment due in FY2026, the leverage and coverage metrics are expected to improve in FY2026.

The Stable outlook on the long-term rating reflects ICRA's expectation that despite rangebound revenues (Rs. 180-190 crore) and profitability margins (7-8%), SCPL will be able to maintain its coverage metrics at levels commensurate with its rating.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and location-specific advantage – The promoter group has long-standing experience in the ceramic industry. Moreover, the strong market presence of one of the JV partners, PJL, and the established relationship of SCPL with customers (HRJ) and suppliers support the business profile. SCPL benefits from its strategic location in the ceramic hub of Morbi (Gujarat), which enables easy access to raw material and helps to save on the transportation cost.

Strong brand, market position and vast distribution network of HRJ viz. key customer – HRJ is a leading player in the Indian tile industry and enjoys a widespread distribution network, which enhances its market presence. PJL holds 50% stake in SCPL. Hence, the latter derives operational benefits from HRJ's established brand name and the franchise distribution network. Moreover, the offtake risk for SCPL is mitigated to a significant extent as 100% of its revenues in 9M FY2025 (and FY2024) are derived from sales to PJL. SCPL remains a key supplier from the Morbi region for PJL's demand in the western parts of the country. ICRA draws comfort from the promoter group's commitment in extending timely direct/indirect financial support to SCPL, in case the need arises. While Rs. 10 crore was infused equally by both partners in FY2023, there has not been any fund infusion since then.

Credit challenges

Modest leverage and debt coverage indicators – Despite a decade in operations, SCPL's scale of operations remain modest. It reported a 7% YoY increase in revenue in FY2024 to Rs. 203.2 crore, though the same is expected to decline to ~Rs. 180 crore in FY2025e and remain rangebound over the medium term. Its capital structure remained leveraged with gearing at 1.9 times as on March 31, 2024 (FY2023: 2.1 times). With sizeable debt repayments, the debt service coverage ratio (DSCR) remained modest at 1.2 times in FY2024 and is likely to moderate in FY2025e (albeit improve thereafter). Owing to the company's focus on expediting supplier payment and get additional discount, if any, the overall fund-based utilisation remains on a higher side. Its ability to maintain adequate liquidity cushion to take care of any financial requirement remains vital from the credit perspective and remains a key monitorable.

Vulnerability of profitability to fluctuations in raw material and fuel prices – Raw material and fuel are the two major cost components (~70%-80%) that determine the cost competitiveness in the ceramic industry. SCPL has limited control over the prices of its key inputs. Hence, its profitability remains susceptible to fluctuations in raw material and fuel prices, given its limited ability to pass on the rise to customers amid intense competition in the industry. This is reflected in the company's OPM ranging from 5.6% to 12.4% during FY2021 to 9M FY2025. A ramp-up in sales volume and ability to sustainably increase its profitability remains crucial for improvement in the credit profile.

Intense competition and cyclicity in real estate industry – The tile industry continues to be competitive, with the presence of large and organised players as well as numerous small-scale tile manufacturers, resulting in pressure on revenues and margins. Apart from this, the real estate industry is the major end-user of ceramic tiles. Thus, the Group's sales and cash flows are vulnerable to cyclicity in these segments. Nevertheless, comfort is drawn from the strong brand presence and the established distribution network of the parent company, PJL, which helps in mitigating the offtake risk for the Group.

Liquidity position: Adequate

SCPL's liquidity is expected to remain adequate, driven by positive cash flows from operations and cushion available in the working capital lines (~Rs. 14 crore as on December 31, 2024). The company has no major capex plans as on date and its cash flows are likely to remain sufficient against the impending debt obligations of Rs. 2.5 crore in FY2026. ICRA expects SCPL to continue receiving need-based, timely and adequate funding support from its promoters, in line with their past track record, if the need arises.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant scale up in SCPL's operations, along with sustained improvement in earnings and coverage metrics.

Negative factors – Pressure on the ratings could arise if there is a sustained pressure on earnings or coverage metrics, or any significant stretch in the working capital cycle results in a deterioration in the liquidity profile. Further, any substantial debt-funded capex impacting the leverage and coverage metrics, weakening of the parent's credit profile, or any reduction in the linkages with the parent company, may put negative pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Prism Johnson Limited (PJL) ICRA expects PJL to be willing to extend financial support to SCPL out of its need to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	Standalone

About the company

Incorporated in April 2013, SCPL manufactures glazed vitrified and wall tiles. It is a 50:50 joint venture between Prism Johnson Limited and Sanskar shareholders' trust. The company began commercial operations in February 2014, with an installed manufacturing capacity of 39,150 metric tonnes per annum (MTPA) of wall tiles. At present, it has two manufacturing facilities which are both in Morbi, Gujarat - unit 1 is into ceramic glazed vitrified tiles manufacturing (1,06,138 MTPA capacity) and unit 2 is into ceramic glazed wall tiles manufacturing (58,800 MTPA capacity). Its product is primarily sold to PJL, which sells the same under the brand name 'Johnson'.

Key financial indicators (audited)

SCPL standalone	FY2023	FY2024
Operating income (Rs. crore)	189.6	203.2
PAT (Rs. crore)	0.6	5.8
OPBDIT/OI (%)	7.1%	10.1%
PAT/OI (%)	0.3%	2.8%
Total outside liabilities/Tangible net worth (times)	3.7	3.2
Total debt/OPBDIT (times)	4.9	3.5
Interest coverage (times)	2.5	3.2

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation
All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 07, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term Loan	Long term	10.67	[ICRA]BBB (Stable)	-	-	Jan-29-2024	[ICRA]BBB (Stable)	Dec-23-2022	[ICRA]BBB (Stable)
Fund-based – Cash Credit	Long term	35.00	[ICRA]BBB (Stable)	-	-	Jan-29-2024	[ICRA]BBB (Stable)	Dec-23-2022	[ICRA]BBB (Stable)
Non-Fund based – Bank guarantee	Short Term	7.40	[ICRA]A3+	-	-	Jan-29-2024	[ICRA]A3+	Dec-23-2022	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term loan	Simple
Long-term – Cash credit	Simple
Short-term – Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2023	-	FY2029	10.67	[ICRA]BBB (Stable)
NA	Cash credit	NA	NA	NA	35.00	[ICRA]BBB (Stable)
NA	Bank guarantee	NA	NA	NA	7.40	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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