

March 23, 2021

Crystal Ceramic Industries Pvt. Ltd.: Ratings reaffirmed; outlook revised to Stable from Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based —Term Loan	50.00	25.00	[ICRA]A(CE)(Stable); reaffirmed and outlook revised to Stable from Negative
Long-term Fund-based— Cash Credit	70.00	70.00	[ICRA]A(CE)(Stable); reaffirmed and outlook revised to Stable from Negative
Short-term Non-fund-based limits — Bank Guarantee/Letter of credit	18.00	11.00	[ICRA]A1(CE); reaffirmed
Total	138.00	106.00	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement*	[ICRA]BBB/[ICRA]A3+
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. The change in suffix is not to be construed as a change in rating. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The revision in the rating outlook of Crystal Ceramic Industries Pvt. Ltd. (CCPL) follows revision in the rating outlook of Asian Granito India Limited (AGL, the guarantor, rated at [ICRA]A (Stable)/ [ICRA]A1). The revision in the outlook considers the expected improvement in the financial risk profile of the Asian Granito India Limited (AGL) Group's on the back of continued healthy demand, with expected sales growth estimated to grow by ~7-8% for FY2021, while the OPM levels are likely to remain ~10-11% in FY2021 as supported by the adoption of cost rationalisation measures.

For the [ICRA]A(CE)(Stable)/A1(CE) rating

Adequacy of credit enhancement

ICRA has assessed the attributes of the guarantee issued by AGL in favour of the said instrument. While the guarantee is legally enforceable, irrevocable (though the guarantee is revocable by giving notice, all liabilities (present and future), shall remain guaranteed), unconditional and covers the entire rated amount and tenure of the rated instrument, it does not have a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by AGL is adequately strong to result in a rating enhancement of the said instrument to [ICRA]A (CE)/A1 (CE) without explicit credit enhancement of [ICRA]BBB/[ICRA]A3+. In case the guarantor's rating undergoes a change in future, the same would reflect in the rating of the aforesaid instrument. The rating of this facility may also undergo a 2-notch change if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity or there is a change in the strategic importance of the rated entity for the guarantor.

For detailed rating rationale of AGL, [Click Here](#)

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- *Though the word "unconditional" is not explicitly mentioned, there is no clause in the guarantee document which suggests that any condition has to be met by the Borrower/ Lender.*
- *Though the word "irrevocable" is not explicitly mentioned, there is no clause in the guarantee document which suggests that the guarantee can be revoked by the guarantor.*
- *The guarantee shall be continuing one till and valid for the entire tenure till all the amounts guaranteed are repaid.*
- *The Guarantor has waived of its rights granted under sections 133, 134, 135, 139, and 141 of the Indian Contract Act, 1872.*

For the [ICRA]BBB(stable)/A3+ rating

The assignment of the 'Stable' outlook factors in the expected improvement in the financial risk profile of the Crystal Ceramic Industries Private Limited (CCPL) in FY2021. The business performance remained muted in Q1FY2021 owing to the nationwide lockdown amidst growing spread of COVID-19. Albeit, healthy volume off-take from the export market and improved demand from the domestic market, is estimated to result in moderate revenue growth in FY2021. On the other hand, the adoption of cost rationalisation measures is likely to elevate the operating profitability in FY2021. The rating continues to derive comfort from the benefit emanating from the AGL's established brand presence and market position in the domestic tiles industry and its strong dealers/distributors network across India.

The ratings are, however, constrained by average financial risk profile as characterised by leveraged capital structure and average debt coverage indicators. The rating also factors in the exposure to intense industry competition, marked by the presence of large organised players as well as numerous small-scale tile manufacturers, and the cyclicity associated with the real estate sector. The ratings are also constrained by the company's working capital intensive operations and the susceptibility of its profitability to fluctuations in key raw material and gas prices. Going forward, the company's ability to expand and stabilise its operating margins, scale-up its operations while improving its working capital intensity would remain a key rating sensitivity.

Key rating drivers and their description

Credit strengths

Strong parentage - CCPL is a subsidiary of Asian Granit India Limited (rated [ICRA]A (Stable)/A1), with AGL holding 70% stake in CCPL. AGL is the fourth largest player in the Indian tile industry and accounts for approximately ~3-4% of the Indian tile market, in which the share of organised players is expected to be close to ~40%. The strong parentage and the promoters' extensive experience in the industry, coupled with established relationship with suppliers and customers, are expected to support the business profile of CCPL.

Corporate guarantee from parent - CCPL's credit profile is enhanced by the corporate guarantee provided by AGL for above rated bank limits.

Credit challenges

Average financial risk profile - The financial risk profile of CCPL remains average, marked by a leveraged capital structure with gearing of 1.62 times as on March 31, 2020. The debt coverage metrics were average as evident from interest coverage of 1.7 times and TD/OPBDITA of ~5 times for FY2020. Moreover, CCPL's profitability continues to remain vulnerable to any increase in the prices of raw materials and fuel, as the combination of these two inputs forms a major part of its cost structure. Also,

the working capital intensity remains high for the company, as reflected in NWC/OI of ~30% in FY2020 resulting from elongated receivables and high inventory holdings.

Intense competition and vulnerability to cyclicity in end-user industry - The tiles industry is intensely competitive, with many small and large players. Additionally, the industry is fragmented and dominated by the unorganised sector. Intense competition restricts the profitability, given the limited pricing flexibility. The company caters to the real estate and infrastructure industries. The sales and profitability of the tile players are therefore directly linked with the growth and consumption pattern of the real estate sector.

Liquidity position

For the [ICRA]A(CE)(Stable)/A1(CE) rating

The liquidity position remains adequate as indicated by sufficient estimated annual cash accruals of Rs.~85-90 crore as against debt repayments of ~Rs. 15-30 crore over FY2021-2023. Moreover, the liquidity is further supported by free cash & bank balance/liquid investment of ~Rs. 24 crore and undrawn limit of ~Rs. 33 crore as on December 2020. Further, the AGL Group has availed Guaranteed Emergency Credit Line (GECL) lines of ~Rs. 37 crore which are estimated to be disbursed by March 2021. The subjected undrawn limits are likely further comfort the liquidity buffer. The AGL group raised equity of Rs. 25.5 crore in current fiscal (till March 08, 2021) which supported intermittent liquidity requirement. The balance fund raising of ~Rs. 38.0 crore over April 2021 is expected to further strengthen its liquidity position.

For the [ICRA]BBB(stable)/A3+ rating

CCPL's liquidity remained adequate as supported by availability of regular and need-based financial support from the parent and availability of undrawn working capital lines of Rs. 3 crore as on January 31, 2021. Further, the company has availed Guaranteed Emergency Credit Line (GECL) lines of Rs. 20.00 crore which is estimated to be disbursed by March 2021. The subjected undrawn working capital facilities are further estimated to improve liquidity position.

Rating sensitivities

Positive factors –

- Significant scale up of operations coupled with sustenance of higher margins, leading to improvement in financial risk profile
- Improvement in Guarantor's credit profile

Negative factors –

- Significant decline in cash accruals and profitability, weakening the financial risk profile
- Significant stretch in working capital cycle
- Deterioration in the Guarantor's credit profile or weakening in the parent linkages

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Support from parent - Asian Granito India Limited Explicit support in the form of corporate guarantee for the rated bank lines
Consolidation/Standalone	The ratings are based on the standalone financials of Crystal Ceramic Industries Pvt. Ltd.

About the company

Incorporated in 2008, Crystal Ceramic Industries Private Limited (CCPL) manufactures vitrified tiles from its facilities in Mehsana (Gujarat). The product range of the company includes double charged vitrified tiles, polished glazed vitrified tiles and glazed vitrified tiles. CCPL is a subsidiary of AGL, with AGL holding 70% stake in CCPL, while its previous promoters own the rest. About ~30-40% of CCPL's total sales were made to AGL over the last three fiscals.

CCPL reported profit after tax (PAT) of Rs. ~4.94 crore on an operating income (OI) of Rs. 182.86 crore in FY2020, compared to a PAT of Rs. 3.45 crore on an OI of Rs. 196.70 crore in FY2019.

Key financial indicators (audited) - Standalone

Remsons Industries Limited - Standalone	FY2019	FY2020
Operating Income (Rs. crore)	196.7	182.8
PAT (Rs. crore)	3.5	4.9
OPBDIT/OI (%)	14.2%	17.0%
RoCE (%)	8.7%	9.6%
Total Outside Liabilities/Tangible Net Worth (times)	2.7	2.7
Total Debt/OPBDIT (times)	5.7	4.8
Interest Coverage (times)	1.7	1.7
DSCR (times)	1.1	1.0

About the guarantor:

Asian Granito India Limited Asian Granito India Limited (AGL) was incorporated in 2002 as a manufacturer of ceramic tiles by Mr. Kamlesh Patel and Mr. Mukesh Patel. The company has extended its production capacities as well as product range over the years, and today is a leading ceramic player in manufacturing and marketing flooring solutions under its brand, 'AGL'. Its product range includes wall tiles, vitrified tiles, ceramic floor tiles, marble and quartz.

Key financial indicators (audited) – AGL - Consolidated

Remsons Industries Limited - Standalone	FY2019	FY2020	H1FY2021*
Operating Income (Rs. crore)	1187	1225	474
PAT (Rs. crore)	19.00	43.00	12.00
OPBDIT/OI (%)	7.2%	9.5%	9.5%
RoCE (%)	7.8%	10.4%	6.9%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	1.3	1.3
Total Debt/OPBDIT (times)	4.2	2.7	3.6
Interest Coverage (times)	2.3	3.1	2.7
DSCR (times)	1.5	1.7	1.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Source: Company, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of December 31, 2020 (Rs. crore)	Date & Rating in	FY2021	FY2020	FY2019
					Mar 23, 2021	Jun 08, 2020	Jan 06, 2020	Dec 05, 2018
1	Long-term Fund-based — Term Loan	Long Term	25.00	22.23 [^]	[ICRA]A(CE) (Stable); reaffirmed and outlook revised to Stable from Negative	[ICRA]A(CE) (Negative)	[ICRA]A(CE) (Stable)	[ICRA]A(SO) (Negative)
2	Long-term Fund-based— Cash Credit	Long Term	70.00	-	[ICRA]A(CE) (Stable); reaffirmed and outlook revised to Stable from Negative	[ICRA]A(CE) (Negative)	[ICRA]A(CE) (Stable)	[ICRA]A(SO) (Negative)
3	Short-term Non-fund-based limits — Bank Guarantee/Letter of credit	Short Term	11.00	-	[ICRA]A1(CE); reaffirmed	[ICRA]A1(CE) (Negative)	[ICRA]A1 (CE)	[ICRA]A1 (SO)

[^]Source: CCPL financials

Complexity level of the rated instrument

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

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term Fund-based —Term Loan	Mar-2017	-	Mar-2024	25.00	[ICRA]A(CE)(Stable); reaffirmed and outlook revised to Stable from Negative
NA	Long-term Fund-based— Cash Credit	-	-	-	70.00	
NA	Short-term Non-fund-based limits — Bank Guarantee/Letter of credit	-	-	-	11.00	[ICRA]A1(CE); reaffirmed

Source: Crystal Ceramic Industries Private Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

Source: Company data

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