

October 17, 2023

Crystal Interior Products Private Limited: [ICRA]BB-(Stable)/[ICRA]A4; ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based—Cash credit	41.25	[ICRA]BB-(Stable); assigned
Long-term fund based—Term loan	2.85	[ICRA]BB-(Stable); assigned
Short-term interchangeable limits - Others (LC/SBLC*)	(15.00)	[ICRA]A4; assigned
Long-term/Short-term—Unallocated limits	6.90	[ICRA]BB-(Stable)/[ICRA]A4; assigned
Total	51.00	

*Instrument details are provided in Annexure I, *Sublimit of cash credit

Rationale

The ratings assigned to the bank lines of Crystal Interior Private Limited (CIPPL/the company) considers the extensive experience of the company's management in the kitchen hardware industry and its established pan-India sales and distribution network. The established presence of its Olive and Evershine brands in the kitchen/furniture fittings and architectural hardware industry was also favourably factored in while assigning the ratings.

However, the ratings continue to be constrained by the moderate scale of its operations along with a modest financial risk profile, given the subdued operating margins and elevated working capital intensity. As a result, the credit profile of the entity has remained weak. CIPPL's profitability has been constrained by a highly fragmented and competitive industry which has limited the company's ability to pass on the increase in raw material prices to consumers, thereby impacting the profitability, particularly in FY2022 and FY2023.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit profile will be supported by the expected growth in revenue and profitability in the medium term, driven by capacity addition and new customer acquisitions.

Key rating drivers and their description

Credit strengths

Experience of promoters – The operations of the Group are managed by a well-qualified top management, who have an experience of more than a decade in the trading and manufacturing of hardware, resulting in established relationships with customers and suppliers.

Established brand presence in kitchen/furniture fittings and architectural hardware industry; geographically diversified clientele – CIPPL's products are sold through a network of dealers and distributors across India. Its established brands, Olive and Evershine, in the architectural and kitchen hardware space benefits the company. The company has appointed state-wise distributors for its products, and there are numerous city/town-wise dealers, who work under those distributors. The company has more than 50 distributors and 2,000 dealers across India. It also has its own exclusive product galleries in Gujarat, one each in Surat, Vadodara and Ahmedabad.

Credit challenges

Moderate scale of operations – The company has a moderate scale of operations even as its operating income (OI) grew to Rs. 132.8 crore in FY2023 from Rs. 114.6 crore in FY2022, driven by healthy demand and new customer acquisitions. The share

of manufactured products also improved in FY2023. Going forward, with the addition of new production capacity, the share of manufactured products may increase.

Working capital-intensive operations – The company’s working capital intensity remained high at ~70% in FY2023 with a longer working capital cycle due to higher inventory days on account of imports. The inventory has been high over the years owing to a wide range of products and the higher stock that needs to be maintained as import orders take 4-5 months to reach its Surat plant. The company used to extend a credit period of 60-90 days to its customers, which has increased in recent years on account of increasing competition and the slowdown in the real estate sector.

Stretched capital structure and weak coverage indicators; unsecured loans comprise ~32% of total debt as on March 31, 2023 – The capital structure of the company has been leveraged with a gearing of 2.95 times as on March 31, 2023 (2.79 times as on March 31, 2022). The coverage indicators were also weak with total debt/OPBDITA of 9.7 times and NCA/total debt of 4.8% in FY2023 (10.4 times and 4.0%, respectively, in FY2022). The total adjusted debt/OPBITDA adjusted for unsecured loans from promoters stood at 6.5 times and the adjusted gearing was 2.0 times as on March 31, 2023.

Stiff competition due to fragmented nature of industry – The hardware and related accessories industry is highly fragmented with several organised and unorganised players. Domestic players also face competition from Chinese manufacturers, specifically on the pricing front. The risk of competition is particularly high in the price-sensitive low-end retail category. Hence, the product quality is the chief area of differentiation for organised players like CIPPL.

Liquidity position: Stretched

The company’s liquidity profile has remained stretched due to its elevated working capital intensity on the back of high inventory levels and receivables. CIPPL’s cash balance and investments stood at Rs. 0.1 crore as on March 31, 2023. CIPPL also had a sanctioned working capital facility of ~Rs. 46.25 crore as on March 31, 2023, while the average utilisation remained at around 94% over the past 12 months. The company had outstanding term loans of Rs. 14.5 crore as on March 31, 2023, towards which there are repayment obligations of Rs. 3.5 crore in FY2024 and Rs. 3.3 crore in FY2025. However, unsecured loans from promoters will support the liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade CIPPL’s ratings if the company demonstrates a consistent growth in revenue, coupled with higher profits on a sustained basis. A better working capital management leading to an improved liquidity profile would also be a positive trigger.

Negative factors – Pressure on the ratings could arise if there is any moderation in the profitability metrics or revenue, or any deterioration in the entity’s working capital position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the Standalone financials of the rated entity

About the company

Crystal Interior Products was established as a partnership firm on April 1, 2001 and was converted to Crystal Interior Products Private Limited (CIPPL) on July 18, 2006. It is a Surat-based company which manufactures and sells kitchen interiors, especially railings and baskets, under the brand names of Evershine and Olive. The distribution channels are handled by the main distributors in major states. In 2017, the company started trading hardware products like channels, hinges and decorative aluminium profile. The manufacturing facilities are spread across 90,000 square feet at different locations in Sachin GIDC, Ichhapore GIDC and Vyara in Gujarat. In November 2022, the company received the National Company Law Tribunal's approval to merge with group entity - Evershine Appliances Private Limited. The merger became effective from January 08, 2023.

Key financial indicators

	FY2022	FY2023*
Operating income	114.6	131.5
PAT	1.3	0.9
OPBDIT/OI	6.6%	7.0%
PAT/OI	1.2%	0.7%
Total outside liabilities/Tangible net worth (times)	3.2	3.7
Total debt/OPBDIT (times)	10.4	9.7
Interest coverage (times)	1.7	1.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore, *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
								Oct 17, 2023
1 Cash credit	Long term	41.25	-	[ICRA]BB-(Stable)	-	-	-	
2 Term loan	Long term	2.85	2.85	[ICRA]BB-(Stable)	-	-	-	
3 Interchangeable limits - Others (LC/SBLC*)	Short term	(15.00)	-	[ICRA]A4	-	-	-	
4 Unallocated	Long term/ Short term	6.90	-	[ICRA]BB-(Stable)/ [ICRA]A4	-	-	-	

*Sublimit of cash credit

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based—Cash credit	Simple
Long-term fund-based—Term loan	Simple
Short-term interchangeable limits - Others (LC/SBLC*)	Very Simple
Long term/Short term—Unallocated limits	NA

**Sublimit of cash credit*

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	Cash credit	NA	NA	NA	41.25	[ICRA]BB-(Stable)
NA	Term loan	March 2022	NA	November 2027	2.85	[ICRA]BB-(Stable)
NA	Interchangeable limits - Others (LC/SBLC*)	NA	NA	NA	(15.00)	[ICRA]A4
NA	Unallocated	NA	NA	NA	6.90	[ICRA]BB-(Stable)/ [ICRA]A4

Source: Company, *Sublimit of cash credit

[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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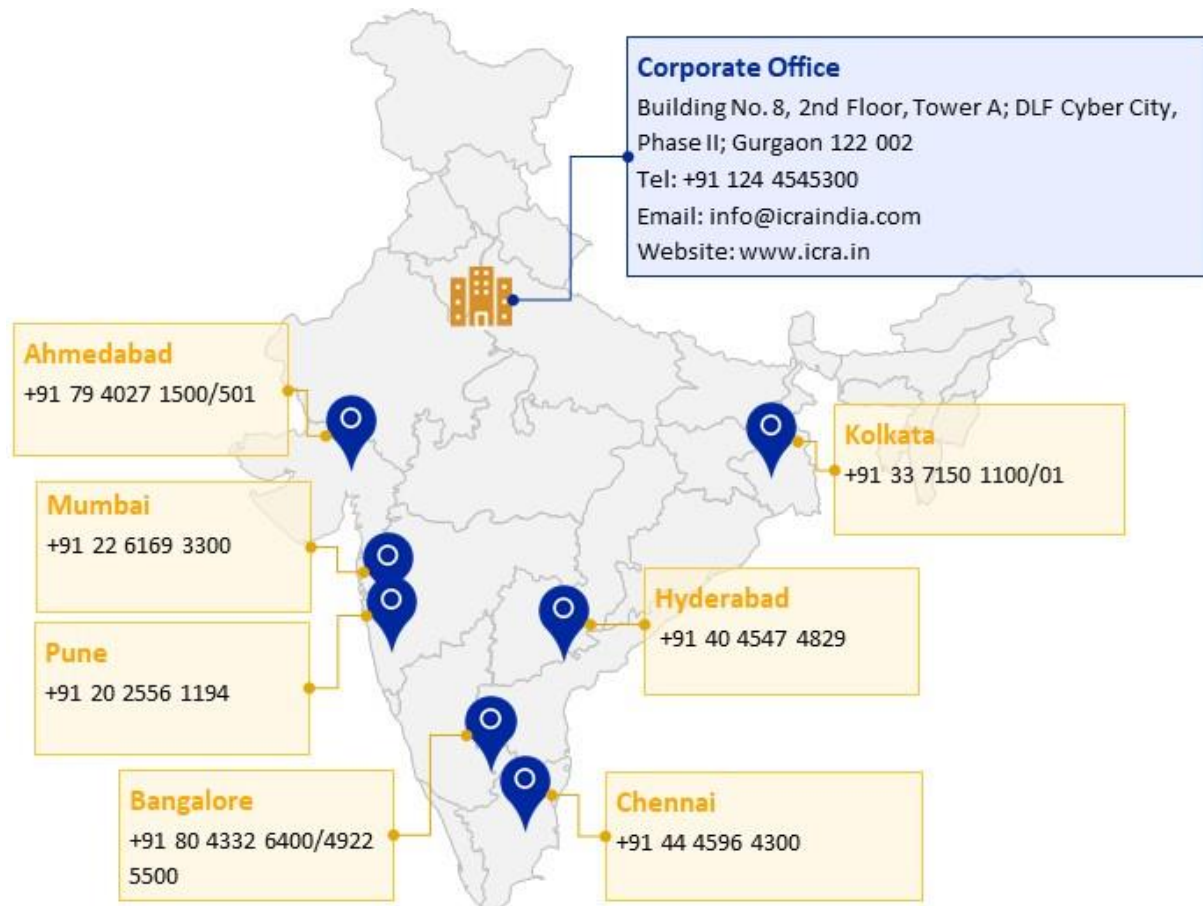
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