

Vicon Ceramic Private Limited

Instrument	Amount (Rs. in crore)	Rating Action
Term loan	3.96	[ICRA]BB+(Stable); Assigned
Cash Credit Limits	6.00	[ICRA]BB+(Stable); Assigned
Bank Guarantee	1.60	[ICRA]A4+; Assigned

ICRA has assigned an [ICRA]BB+ (pronounced ICRA double B plus) rating to the Rs. 3.96 crore¹ term loan and Rs. 6.00 crore fund based cash credit facilities of Vicon Ceramic Private Limited (VCPL)². The outlook on the long term rating is “stable”. ICRA has also assigned an [ICRA]A4+ (pronounced ICRA A four plus) rating to the Rs. 1.60 crore short term non fund based bank guarantee facility of VCPL.

The assigned ratings factor in the strengths derived from the company’s contract manufacturing agreement with Somany Ceramics Limited (SCL) and SCL’s 26% equity stake in the entity; and the extensive experience of the promoters in the ceramics industry. The ratings also take into account the company’s healthy capacity utilization levels (~93% in 11MFY2015-16); the steady growth in its revenues over past two fiscals resulting from increased offtake by SCL to 3.42 lakh boxes in 11MFY 2015-16 as compared to 2.75 lakh boxes in FY2014-15. The cascading effect was an improvement in operating income to Rs. 53.66 crore in 11M FY2015-16 as compared to Rs. 42.57 crore in full year operations of FY2014-15. The assigned ratings also consider its locational advantage in the form of easy availability of quality raw material and skilled manpower by virtue of being situated in Morbi (Gujarat), which is a ceramic hub in India.

The ratings however are constrained by VCPL’s stretched financial profile. Despite posting healthy revenue in its first year of operations, the company reported net losses of Rs. 0.58 crore in FY2014-15 on account of high depreciation and interest expenses, though the firm reported profits in 11M FY2015-16 driven by stabilization of operations. The debt levels however dropped substantially from Rs. 16.24 crore as on March 31, 2015 to Rs. 11.86 crore as on February 29, 2016 on account of significant repayment of term loans. VCPL’s gearing stood at 1.58 times as on February 29, 2016 (profits are before taxes), as against 2.47 times as on March 31, 2015. Given the high debt repayment, the company had weak coverage indicators during past two years. The ratings also take into account the highly competitive nature of the ceramic tile industry and vulnerability of VCPL’s profitability to the cyclical nature associated with the real estate industry and to the adverse movements in prices of key input materials and gas prices; however the MGO contract with GSPC will result in considerable savings in fuel cost going forward as well as contract manufacturing agreement with SCL will provide some flexibility to pass on the variations in input costs.

ICRA expects improvement in profitability resulting from savings in fuels cost as well as relatively decline in depreciation and interest expenses as a consequence of the term loan repayments to translate into improved profitability for FY2015-16. VCPL’s capital structure is likely to remain moderate over the medium term with no major capex expected.

Company Profile

Vicon Ceramic Private Limited (VCPL) was incorporated in June 2013 as a manufacturer of two varieties of tiles i.e. wall tiles and parking tiles. The company has been operational for the last two years wherein the commercial production commenced from March 2014. VCPL has 54,000 Metric tonnes per annum installed manufacturing capacity at its facility located at Morbi, Gujarat.

VCPL is promoted and managed by Mr. Amarshi Detroja alongwith other directors associated with Coral Group as well as Somany Ceramic Limited (SCL) thereby having long experience in ceramic industry. The promoters have more than two decades of experience in the ceramic tiles business. SCL acquired 26% stake in VCPL in January 2014 and currently off-takes VCPL’s entire production.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



Recent Results

During FY 2015, the company reported net loss of Rs. 0.6 crore on an operating income of Rs. 42.6 crore. Further during FY 2016 as per provisional unaudited results for eleven months, the company reported profit before taxes of Rs. 0.9 crore on an operating income of Rs. 53.7 crore.

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