

Omen Vitrified Private Limited

Instrument	Amount (Rs. in crore)	Rating Action
Term Loan	11.94	[ICRA]BB-(Stable); Reaffirmed
Cash Credit Limit	8.00	[ICRA]BB-(Stable); Reaffirmed
Bank Guarantee	2.58	[ICRA]A4; Reaffirmed
Unallocated Limits	1.76	[ICRA]BB-(Stable)/[ICRA]A4; Reaffirmed

ICRA has reaffirmed the [ICRA]BB- (pronounced ICRA double B minus) rating to the Rs. 8.00 crore¹ cash credit facility and Rs. 11.94 crore term loan facility of Omen Vitrified Private Limited (OVPL)². ICRA has also reaffirmed the [ICRA]A4 (pronounced ICRA A four) rating to the Rs. 2.58 crore short term non fund based facility of OVPL. ICRA has also reaffirmed the ratings of [ICRA]BB-/A4 assigned to unallocated limits of Rs. 1.76 crore of OVPL. The outlook on long term rating is “stable”.

The ratings continue to remain constrained by OVPL’s modest operating scale, characterised by decline in operating income by 20.4% in FY2016 to Rs. 30.8 crore down from Rs. 38.7 crore mainly due to sudden drop in huge orders received from Kajaria Ceramics Limited. The ratings also take into account the highly competitive nature of the ceramic tile industry and vulnerability of OVPL’s profitability to the cyclicity associated with the real estate industry and to the adverse movements in prices of key input materials and gas prices; d. The working capital intensity of OVPL is high at 40.2% during FY2016 owing to high inventory piled up as on March 31, 2016. Further the coverage indicators remained modest with interest coverage of 2.2 times and NCA/Total Debt of 12.3% as on March 31, 2016.

The ratings, however, favourably factors in the extensive experience of the promoters in the ceramic business as well as location advantages by virtue of proximity to raw material sources and skilled manpower. ICRA further notes that the declining gas prices and the Minimum Guaranteed Offtake (MGO) contract with Gujarat State Petroleum Corporation (GSPC) will result in considerable savings in fuel cost going forward and is expected to alleviate cost pressures to some extent.

ICRA expects OVPL’s turnover to improve substantially by ~20% in FY2017 in anticipation of the diversification into export market as well as improved capacity utilization levels. Further the profitability is also expected to improve by ~1-1.5% 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 FY2017. OVPL’s capital structure is likely to remain moderate over the medium term with no major capex expected.

Company Profile

Omen Vitrified Private Limited (OVPL) was incorporated in July 2010. The commercial production was commenced in September-2011. The company is owned and managed by Mr. Manish Adroja and other family members. OVPL manufactures nano polished vitrified tiles of size 600x600 mm which find wide application in commercial and residential buildings.

The manufacturing facility is located in Morbi, Gujarat and operates in two shifts of 12 hours each with current installed capacity of 42000 Metric Tons Per Annum (MTPA). The company markets its tiles under the brand name of ‘Omen Vitrified’

Recent Results

For the year ended 31st March, 2016, as per provisional unaudited results, the company reported an operating income of Rs. 30.8 crore with profit before tax (PBT) of Rs. 0.8 crore.

June 2016



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