

Elica Vitrified Private Limited

Instrument	Amount (Rs. in crore)	Rating Action
Fund-based - Cash Credit Limit	9.00	[ICRA]BB-(stable); Assigned
Fund-based – Term Loan	2.24	[ICRA]BB-(stable); Assigned
Non-Fund Based – Bank Guarantee	2.50	[ICRA]A4; Assigned

ICRA has assigned the long-term rating at [ICRA]BB- (pronounced ICRA Double B minus) to the Rs. 9.00-crore cash credit facility and Rs. 2.24 term loan facility of Elica Vitrified Private Limited (EVPL). The outlook on the long term rating is stable. ICRA has also assigned the short-term rating at [ICRA]A4 (pronounced ICRA A four) to the Rs. 2.50-crore short term non-fund based facility of EVPL.

The assigned ratings are constrained by EVPL's modest operating scale, decline in revenues by 20% in FY2016 to Rs. 48.01 crore, down from Rs. 60.02 crore in FY2015, mainly due to a decline in volumes sold accompanied with a drop in realisations. The ratings further factors in EVPL's low profitability at operating levels on account of an increase in operating costs. The ratings also take into account the highly competitive nature of the ceramic tile industry and the vulnerability of EVPL's profitability to the cyclical nature of the real estate industry and to the adverse movements in prices of key input materials and gas prices. The ratings also take into account the moderate debt coverage indicators, as reflected by an interest coverage of 3.0 times and NCA/Total Debt of 19.3% as on March 31, 2016.

The ratings favourably factors in the extensive experience of the promoters in the ceramic business and the locational advantage of the company, by virtue of its proximity to raw material sources and skilled manpower. The ratings also factor in the consistent improvement in the capital structure of the company with a decrease in the gearing levels to 1.2 times as on March 31, 2016 from 2.1 times on March 31, 2013. ICRA further notes that the company's agreement with H&R Johnson India would ensure a reduction in the offtake risk of the company. ICRA also considers that the declining gas prices and the MGO contract with GSPC will result in considerable savings in fuel cost and is expected to alleviate cost pressures to some extent.

ICRA expects EVPL's revenues to witness a marginal growth of ~5% in FY2017 in anticipation of the improved capacity utilisation levels and its diversification into the export market. Further, the profitability at net levels is expected to improve, resulting from a decline in finance costs as a consequence of the term loan repayments. EVPL's capital structure is likely to improve over the medium term with no major capex expected. Going forward, the company's ability to infuse funds to support its capital structure, increase the scale of operations and manage its working capital efficiently would be key rating sensitivities.

Company Profile

Incorporated in July 2016, Elica Vitrified Private Limited (EVPL) is owned and managed by Mr. Dilipkumar Barasara, Mr. Parshotam Patel and Mr. Jayantilal Katodiya, along with three other directors, - all being family members and relatives. EVPL manufactures vitrified tiles of single size i.e. 605 mm X 605 which finds application in commercial and residential buildings. The manufacturing facility is located in Morbi, Gujarat, with a current installed capacity of 4500 boxes of tiles per day. The promoters are also associated with another associate concern, namely Perth Ceramic Private Limited, which works in the same line of business.

Recent Results

For the year ended March 31, 2016, the company reported an operating income of Rs. 48.01 crore with profit before taxes of Rs. 0.68 crore as per the provisional unaudited numbers.

June 2016

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