

## Lexona Ceramic

Instrument	Amount	Rating Action
Fund Based – Cash Credit	Rs. 4.50 crore	[ICRA]BB- (Stable); re-affirmed
Fund Based – Term Loan	Rs. 4.68 crore	[ICRA]BB- (Stable); re-affirmed
Non-Fund Based – Bank Guarantee	Rs. 1.40 crore	[ICRA]A4; re-affirmed

ICRA has re-affirmed the **[ICRA]BB-** (pronounced ICRA double B minus) rating to the Rs. 9.18 crore<sup>1</sup> long-term based facility of Lexona Ceramic (LC)<sup>2</sup>. ICRA has also re-affirmed the [ICRA]A4 (pronounced ICRA A four) rating to the Rs. 1.40 crore Bank Guarantee (BG) facility of LC. The outlook of the rating is “**Stable**”.

The ratings remain constrained by the firm’s modest scale of operations, as well as by its de-growth in revenue in FY2016 and high working capital utilisation due to high receivable days. Furthermore, the company remains exposed to intense competition from large organised as well as the unorganised sector. ICRA notes that as LC is a partnership firm, any significant withdrawals from its capital account by the partners could adversely affect its net-worth, and thereby its capital structure.

The ratings favorably take into account the experience of the promoters in the ceramic industry. ICRA also notes the location advantage enjoyed by LC, giving it easy access to raw material.

ICRA further notes the vulnerability of profitability; and the increasing prices of gas, which constitute a large part of LC’s power and fuel costs. However, recent decline in piped natural gas (PNG) prices could have a favourable impact on operational profitability.

ICRA expects LC’s revenues to remain modest in line with the past performance of the firm. The profitability of the company would remain vulnerable to fluctuation in the prices of raw materials and its ability to pass on the same to its customers in a timely manner, given the competitive scenario pressurising margins. However, ICRA expects LC’s working capital intensity to remain high, because of stretched receivables.

### Company Profile

Established in 2012, Lexona Ceramic (LC) is a partnership firm managed by Mr. Kaushik Bavarva and three other partners. The company is engaged in manufacturing digital ceramic wall tiles. LC’s manufacturing facility is located at Morbi in the Rajkot District of Gujarat, with an installed capacity of 30,000 MTPA. The company manufactures ceramic wall tiles of different sizes such as 12”X24” and 12”X18”.

### Recent Results

During FY2016, LC reported an operating income of Rs. 17.6 crore with a net profit of Rs. 0.4 crore, as against an operating income of Rs. 24.6 crore with net profit of Rs. 0.8 crore in FY2015.

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*For further details, please contact:*

#### Analyst Contacts:

**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)  
subrata@icraindia.com

**Parul Goyal Narang** (Tel. No. +91 11 2335 7940)  
parul.goyal@icraindia.com

#### Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA’s website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500