

Oyo Ceramic Private Limited

Instrument	Amount Rated	Rating Action
Cash Credit	Rs. 2.50 crore	[ICRA]B+ reaffirmed
Term Loan	Rs. 3.36 crore (reduced from Rs. 3.92 crore)	[ICRA]B+ reaffirmed
Unallocated Limits	Rs. 1.50 crore	[ICRA]B+ reaffirmed
Non-fund based- Bank Guarantee	Rs. 1.80 crore	[ICRA]A4 reaffirmed
Fund based- Bill Discounting*	(Rs. 1.25 crore)	[ICRA]A4 reaffirmed

*Sub-limit of cash credit

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs. 2.50 crore¹ cash credit facility, Rs. 3.36 crore term loan facility (reduced from Rs. 3.92 crore) and Rs. 1.50 crore unallocated limits of Oyo Ceramic Private Limited (OCPL)². ICRA has also reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A Four) to the Rs. 1.80 crore short-term non-fund based facility and Rs. 1.25 crore short-term fund based facility (sub-limit of Cash Credit) of OCPL.

The reaffirmation of ratings takes into account OCPL's relatively modest scale of operations and weak financial risk profile, marked by low profitability in early stage of operations, stretched capital structure and moderate coverage indicators. The ratings are further constrained by OCPL's limited product portfolio, comprising only ceramic wall tiles, which restricts its sales prospects and dealings with large institutional buyers. Moreover, the highly fragmented nature of the tiles industry results in intense competitive pressures. The ratings also take into account the cyclical nature of the real estate industry, which is the main consuming sector, and the exposure of the company's profitability to fluctuations in prices of raw materials, natural gas and foreign currency exchange rate.

The ratings, however, take comfort from the past experience of the promoters in the ceramic industry and the marketing support drawn from the group companies engaged in the similar line of business. The ratings also take into account the company's competitive advantage in raw material procurement on account of its favourable location in Morbi.

Company Profile

Incorporated in February 2014, Oyo Ceramic Private Limited (OCPL) commenced commercial production of ceramic wall tiles in November 2014. The manufacturing facility of the company is located at Morbi in Rajkot district of Gujarat and has an installed capacity of 30,000 Metric Tonnes Per Annum (MTPA). OCPL manufactures digitally printed ceramic wall tiles of size 12"X18". The promoters of the company have prior experience in the ceramic industry by virtue of their association with the group concerns such as Lexo Ceramic, Blue Lake Ceramic, Wipro Marketing and Romex Tiles Pvt. Ltd.

Recent Results

During FY2016, OCPL reported an operating income of Rs. 16.89 crore and profit after tax of Rs. 0.24 crore as against the operating income of Rs. 6.71 crore and net losses of Rs. 0.06 crore during FY2015 (5 months of operations).

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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.



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