

## Jaxx Vitrified Private Limited

Instrument	Amount	Rating Action
Fund-based Term Loan	Rs. 59.11 crore (reduced from Rs. 76.38 crore)	Revised from [ICRA]BBB(Stable) to [ICRA]BBB-(Stable)
Fund-based Cash Credit	Rs. 18.00 crore	Revised from [ICRA]BBB(Stable) to [ICRA]BBB-(Stable)
Non-fund Based Bank Guarantee	Rs. 10.10 crore	Revised from [ICRA]A3+to [ICRA]A3
Non-fund Based -FLC*	(Rs. 3.00 crore)	Revised from [ICRA]A3+to [ICRA]A3
Unallocated Limits	Rs.17.27 crore	[ICRA]BBB-(Stable)/[ICRA]A3 assigned

\*sublimit of cash credit

ICRA has revised the long-term rating assigned to the Rs. 59.11-crore<sup>1</sup> term loan and the Rs. 18.00-crore cash credit facility of Jaxx Vitrified Private Limited (JVPL)<sup>2</sup> to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BBB (pronounced ICRA triple B). The long-term rating carries “Stable” outlook. ICRA has also revised the short-term rating to [ICRA]A3 (pronounced ICRA A three ) to the Rs. 10.10-crore non-fund based facility of JVPL from [ICRA]A3+(pronounced ICRA A three plus).ICRA has also assigned [ICRA]BBB-(Stable) and [ICRA]A3 ratings to the unallocated limits of JVPL.

The ratings revision takes into account the weakened financial profile, with net losses reported in FY2016 as the company was not able to pass on the price hike in raw material costs, and the additional interest burden on unsecured loans. Furthermore, the ratings are also constrained by the stretched capital structure as evident from the high gearing levels and the modest debt coverage indicators on account of debt-funded capex in the recent past.

The ratings, however, continue to favourably take into account the significant operational and financial linkages with KCL, the parent company; assured off take of vitrified tiles and double charge vitrified tiles manufactured by JVPL; strong brand presence and the vast distribution network across the country of its parent. KCL holds 61% stake in JVPL and has been supporting it through unsecured loans whenever necessary to meet its intermittent funding requirements.

The ratings, also, continue to favourably consider the extensive experience of JVPL’s promoters in the ceramic industry and the location advantages enjoyed by the company in terms of proximity to suppliers.

Going forward, ICRA expects, JVPL to report moderate growth in revenues, backed by stabilisation of newly commissioned capacity from Q1 FY2017 onwards. The profitability remains susceptible to adverse movements in gas prices and increasing competition. Nevertheless, with higher contribution from premium products and recent decline in natural gas prices, profitability is expected to improve in the near term. With significant debt-funded capex undertaken in the last two years and scheduled debt repayments lined up, ICRA expects JVPL’s credit metrics to remain under pressure in the near to medium term. Continuation of operational as well as financial support from KCL to meet cash flow mismatches whenever necessary remains crucial from the credit perspective.

### Company Profile

Jaxx Vitrified Private Limited (JVPL) manufactures vitrified floor tiles in its plant at Morbi, Gujarat. JVPL was initially promoted by Mr. Atul Padaliya, Mr. Jayesh Kavar, Mr. Sanjay Bora, Mr. Ramesh Padalia, Mr. Rajnikant Futariya, Mr. Hiren Padalia and family members. However, in January 2012, Kajaria Ceramics Limited (KCL) acquired 51% stake in the company from various shareholders. Furthermore, KCL increased its stake to 61% in FY2015 and extended corporate guarantee to the extent of 61% of total bank limits of JVPL. JVPL manufactures

<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.



vitrified tiles of size 24" x24" and double charge vitrified tiles of 32" X 32" and 32" X 48" with an installed capacity of 11.4 MSM per annum.

### **Holding Company Profile**

Kajaria Ceramic Limited (KCL) was incorporated in FY1985 as a manufacturer and trader in ceramic tiles. Mr. Ashok Kajaria in technical collaboration with Todagres SA, Spain started its operations in FY1988 with a capacity of 1 million sqm per annum at its ceramic tiles manufacturing facility at Sikanderabad (District Bulandshahr), UP. Since then the company has expanded production capacities as well as the product range. The company is mainly engaged in manufacturing ceramic glazed wall and floor tiles and vitrified tiles. It also imports vitrified tiles from China and various high-end tiles from leading European brands, which are marketed under the brand name of 'Kajaria'. KCL also imports sanitary-ware. Its own manufacturing facilities are located in Sikanderabad (Uttar Pradesh) and Gailpur (Rajasthan), whereas the ones with JV are in Gujarat (five) and Andhra Pradesh (one); KCL has a majority stake in each of them. The various acquisitions and expansions carried out both in-house and through subsidiaries have increased the total tile manufacturing capacity of the company to 69.8 million square metres (msm) on a consolidated basis. ICRA has upgraded the long-term rating of Kajaria Ceramics Limited to [ICRA]AA (Stable) from [ICRA]AA-(Stable) and reaffirmed the short-term rating of [ICRA]A1 in December 2015.

### **Recent Results**

In H1FY2017, JVPL reported an operating income of Rs. 129.00 crore and a net profit of Rs. 4.50 crore against an operating income of Rs. 246.8 crore and a net loss of Rs.14.1 crore in FY2016

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