

August 31, 2017

Welcome Mineral Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	5.37	[ICRA]B+(Stable); Reaffirmed
Non-fund Based Limits	1.10	[ICRA]A4; Reaffirmed
Unallocated Limits	2.48	[ICRA]B+(Stable)/[ICRA]A4; Reaffirmed
Total	8.95	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed a long-term rating of [ICRA]B+ (pronounced ICRA B plus)¹ to the Rs. 5.37 crore² fund-based facilities and a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 1.10 crore non-fund based facilities of Welcome Mineral Private Limited (WMPL). ICRA has also reaffirmed a long-term rating of [ICRA]B+ and a short-term rating of [ICRA]A4 to the Rs. 2.48 crore unallocated limits of WMPL. The outlook on the long-term rating is Stable.

Rationale

The ratings continue to favourably take into account the long experience of the promoters in the ceramic industry and the proximity of the company's manufacturing unit to the ceramic hub of Morbi, which benefits in terms of easy and timely availability of key raw materials.

However, the ratings are constrained by the company's modest scale of operations, stretched capital structure and high working capital intensity owing to elongated receivables as on March 31, 2017. Furthermore, the ratings also factor in the highly fragmented nature of the tiles industry, which results in intense competitive pressures. The cyclical nature of the real estate industry, which is the main end-user sector, and the exposure of the company's profitability to volatility in raw material and natural gas prices are other credit concerns.

Key rating drivers

Credit strengths

- **Experience of promoters in the ceramic industry** - WMPL was promoted by Mr. Pradeepkumar Kavar and Mr. Ramesh Sanadav in September 2013. The promoters have long experience in the ceramic industry through their association with other entities engaged in ceramic tiles business, prior to WMPL.
- **Location advantage from presence in largest ceramic cluster** – The company's manufacturing facility is located in Morbi, Gujarat, which is the largest ceramic cluster of India, benefitting the company by providing access to raw material sources, proximity to major ports and ease in availability of labour.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Credit weaknesses

- **Modest scale of operations** - The company operates at modest scale of operations with marginal decline in revenue during FY2017, which stood at Rs. 14.24 crore, owing to demand slowdown in the wall tiles segment of the ceramic industry.
- **Financial profile characterised by stretched capital structure and high working capital intensity** – The company’s capital structure is stretched as reflected by high gearing of 2.07 times as on March 31, 2017 on account of high borrowing levels and low net-worth position. Further, the working capital intensity of the company has remained high due to elongated year-end receivables as reflected by NWC/OI of 29.5% in FY2017.
- **Intense competition given the low entry barriers** - The company faces stiff competition from other established as well as unorganised players in the ceramic business due to the fragmented industry structure and low entry barriers. These limit its pricing flexibility and bargaining power with customers, putting pressure on its revenues and margins.
- **Vulnerability of profitability to fluctuation in raw material and gas prices; exposure to cyclicity in real estate industry** – Raw material and fuel are the two major cost components in the ceramic tiles business determining the cost competitiveness of the operations. Thus, the margins of the company are exposed to fluctuation in raw material and natural gas prices. The cash flows are also susceptible to cyclicity in the real estate industry, which is the main consuming sector.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in September 2013, Welcome Mineral Private Limited (WMPL) is promoted and managed by Mr. Pradeep Kavar and Mr. Ramesh Sanavada. The commercial production of the company commenced from September 2014. WMPL manufactures body clay as well as glazed wall tiles of two sizes (10”X15”, 10”X18”, and 12”X12”), which are widely used in commercial as well as residential buildings. The manufacturing facility of WMPL is located in Morbi, Gujarat, with an installed production capacity of 90,000 metric tonnes of body clay and 18,000 metric tonnes of wall tiles per annum.

The company reported a net profit of Rs. 0.27 crore on an operating income of Rs. 14.24 crore in FY2017, as compared to a net profit of Rs. 0.03 crore on an operating income of Rs. 14.39 crore in the previous year.

Key Financial Indicators

	FY2016	FY2017
Operating Income (Rs. crore)	14.39	14.24
PAT (Rs. crore)	0.03	0.27
OPBDIT/ OI (%)	15.4%	11.5%
RoCE (%)	8.4%	5.5%
Total Debt/ TNW (times)	2.56	2.07
Total Debt/ OPBDIT (times)	3.91	4.61
Interest coverage (times)	2.81	5.11
NWC/ OI (%)	28.2%	29.5%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				August 2017	August 2016	July 2015	July 2014
1	Cash Credit	Long Term	1.85	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B	[ICRA]B
2	Term Loan	Long Term	3.52	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B	[ICRA]B
3	Bank Guarantee	Short Term	1.10	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4
4	Unallocated Limits	Long Term / Short term	2.48	[ICRA]B+ (Stable)/ [ICRA]A4	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
N.A.	Cash Credit	-	-	-	1.85	[ICRA]B+ (Stable)
N.A.	Term Loan	January 2015	-	April 2020	3.52	[ICRA]B+ (Stable)
N.A.	Bank Guarantee	-	-	-	1.10	[ICRA]A4
N.A.	Unallocated Limits	-	-	-	2.48	[ICRA]B+ (Stable)/ [ICRA]A4

Source: WMPL

Contact Details

Analyst Contacts

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Megha Bansal

+91 79 4027 1541

megha.bansal@icraindia.com

Manan Dave

+91 79 4027 1546

manan.dave@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

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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

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

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

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

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

'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

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

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

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