



Press Release

Finolite Ceramic
December 11, 2020

Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based facilities - Term Loans	8.88	IVR B-/Stable (IVR Single B Minus with Stable Outlook)
2	Long Term Fund based facilities - Cash Credit	5.00	IVR B-/Stable (IVR Single B Minus with Stable Outlook)
3	Short Term Non-Fund based facilities - Bank Guarantee	3.71	IVR A4 (IVR A Four)
	Total	17.59	

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings assigned to the bank facilities of Finolite Ceramic (FC or the firm) takes into account its extensive industry experience of the partners and favourable location of the plant. These are partially offset by below average financial risk profile, constitution of the entity and limited track record of operations and intense competition.

Key Rating Sensitivities

Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Improvement in the operating cycle leading to improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis
- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in debt protection metrics



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the partners: Finolite ceramic is a partnership firm led by Mr Digesh Durlabhjibhai Aghara, Mr Nileshkumar Anantraï Mendapara, Mr Ramnikbhai Anantraï Mendpara, Mr Kishorbhai Premjibhai Varasada, Mr Dineshbhai Kanjibhai Kothiya, and Mr Ashishbhai Hansrajibhai Kalariya. The partners have an extensive experience of 15 years in this industry. Their experience, strong understanding of local market dynamics helps to establish a healthy relationship with customers and suppliers to support the business.

Favorable Location of the plant: The firm has an installed capacity of 90000 MTPA and manufactures ceramic and vitrified tiles at its facility in Morbi, Gujarat which is the largest hub for ceramic tiles production in India. Ease of availability of raw material and labor from the region has increased operating efficiency.

Key Rating Weaknesses

Below average financial risk profile: The firm financial risk profile is below average marked by high total outside liabilities to total net worth (TOL/TNW), high gearing (debt-to-equity) & modest capital structure. The TOL/TNW and gearing are high at 6.89x and 3.84x in FY2020(prov) and modest networth of Rs. 3.65 crore as of March 31, 2020 (prov).

Constitution of the entity: The firm is a partnership firm which has an inherent risk of a possible withdrawal of the capital by the partners which can adversely affect its capital structure

Limited track record of operations and intense competition – The firm has a limited track record of operations as it was established in 2015. The ceramic industry is highly fragmented. Also the firm based in Morbi, Gujarat, where large number of organised & unorganised competitors operates at low-cost structures, thereby creating pricing pressures& limiting profitability.

Analytical Approach: Standalone



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Applicable Criteria

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

LIQUIDITY: STRETCHED

The firm's leverage as measured by the Total outside liabilities/Tangible net worth (TOL/TNW) ratio & overall gearing was high at 6.89x & 3.84x respectively as on FY2020 (prov). The firm operations are working capital intensive in nature as reflected in gross current assets (GCA) of 316 days in FY2020 (prov) as against to 418 days in FY2019. These high GCA days are driven by high inventory and receivables of 210 days and 105 days, respectively, as on March 31, 2020 (prov). The firm's working capital requirement is largely funded by stretching payments to creditors and high dependency on bank borrowing. Hence the average cash credit utilisation was at 98.40% for the last 10 months period ended October 2020.

About the Firm

Established in 2015, FC is a partnership firm of Mr Digesh Durlabhjibhai Aghara, Mr Nileshkumar Anantrai Mendapara, Mr Ramnikbhai Anantrai Mendpara, Mr Kishorbhai Premjibhai Varasada, Mr Dineshbhai Kanjibhai Kothiya, and Mr Ashishbhai Hansrajibhai Kalariya. The firm manufactures ceramic walls and vitrified tiles at its facility in Morbi, Gujarat. The registered office & plant location is at Morbi, Gujarat.

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	23.75	26.12
EBITDA	4.55	4.64
PAT	0.31	0.80
Tangible Net worth	3.48	3.65
EBITDA Margin (%)	19.17	17.75
PAT Margin (%)	1.31	3.07
Overall Gearing Ratio (x)	6.54	3.84

*As per Infomerics Standards



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Status of non-cooperation with previous CRA: CRISIL ratings in their press release dated 17th March 2020 have classified Finolite Ceramic as Issuer Not Cooperating.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loans	Long Term	8.88	IVR B-/Stable (IVR Single B Minus with Stable Outlook)	NA	NA	NA
2	Cash Credit	Long Term	5.00	IVR B-/Stable (IVR Single B Minus with Stable Outlook)	NA	NA	NA
3	Bank Guarantee	Short Term	3.71	IVR A4 (IVR A Four)	NA	NA	NA
Total			17.59				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	-	-	March 2024	8.88	IVR B-/Stable (IVR Single B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	5.00	IVR B-/Stable (IVR Single B Minus with Stable Outlook)
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	-	-	-	3.71	IVR A4 (IVR A Four)
Total				17.59	