



Press Release

Livenza Granito LLP

February 01, 2021

Ratings

| Instrument Facility / | Amount (Rs. crore) | Ratings | Rating Action |
|----------------------------|---|---|---------------|
| Long Term Bank Facilities | 25.09 | IVR BB/Stable (IVR Double B with Stable Outlook) | Assigned |
| Short Term Bank Facilities | 2.50 | IVR A4 (IVR Single A Four) | Assigned |
| Total | 27.59 (Twenty-seven crores and fifty-nine lakhs) | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Livenza Granito LLP factors experienced partners, strategic location advantage, and increasing turnover and improving margins. However, rating is constrained on account of intense competition and cyclical nature in real estate industry, vulnerability to changes in raw material prices, and moderate financial risk profile .

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in scale of operations leading to improvement in debt protection metrics

Downward Factors

- Any decline in scale of operations leading to deterioration in debt protection metrics.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful partners:**

The promoters have an experience of over 15 years in the ceramics industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with customers. This has led to steady growth in revenue of Rs. 74.23 crores in FY2020.

- **Strategic Location Advantage:**

The company manufacturing plant is located in Morbi (Gujarat) which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. As the manufacturing facilities are in Morbi, Gujarat, the firm benefits from easy access to clay (main raw material), infrastructure (such as gas and power), and availability of contractors and skilled labour.

- **Increasing turnover and improving margins:**

Turnover has improved significantly as reflected in turnover of Rs. 43.36 Cr during FY 19, Rs. 74.23 Cr up to FY 20, and Rs. 70.51 Cr from April, 2020 up to December 2020 due to increase in volume and sales realisation. Margins have improved during FY 20 as reflected in EBIDTA of 8.95% and PAT margin of 1.58%.

Key Rating Weaknesses

- **Intense competition and cyclicity in real estate industry:**

The tile manufacturing industry is characterised by intense competition due to consequent low entry barriers, easy availability of raw material, limited initial capital investment, which results in limiting the pricing flexibility resulting in pressure on company's revenue and margins. Further sale of tiles is also linked to demand from real estate sector (key consuming sector), which is cyclical in nature.

- **Vulnerability to changes in raw material prices:**

Major manufacturing cost component in ceramic tile industry are raw material (clay) and power, fuel which determine the cost competitiveness and company's profitability in the industry. Due to little control over the movement of raw material prices, the company is



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exposed to raw material price fluctuations impacting the cost structure and margins. Hence, the operating margin has been declining marginally.

- **Moderate financial risk profile:**

The company's overall gearing ratio stood comfortable at 1.61x and long-term debt to equity ratio at 1.05x in FY2020. The debt protection metrics also remained moderate with interest coverage at 2.09x and total debt/GCA (years) at 6.24x.

Analytical Approach: Standalone

Applicable Criteria:

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

Liquidity –Adequate

Comments on liquidity:

The liquidity is considered to be adequate as reflected from its gross cash accruals of Rs. 4.06 crores and cash and bank balance of 0.28 crores in FY2020. The maximum monthly utilisation stood at 77% for the past 12 months period till Sep.2020.

About the Firm

Livenza Granito LLP was established in 2017 as a limited liability partnership with 8 partners. It is engaged in manufacturing of vitrified tiles and it sells its products under the brand name 'Livenza'

The firm is situated in Morbi, Gujarat which is the second largest cluster in the world and largest in India for tiles manufacturing business.

The company's core business is manufacturing and has an installed capacity to manufacture 27,37,500 boxes per annum.



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Financials (Standalone): (INR Crore)

| For the year ended / As on | 31-03-2018 | 31-03-2019 | 31-03-2020* |
|-----------------------------|------------|------------|-------------|
| | A | A | A |
| Total Operating Income | 0.00 | 43.36 | 74.23 |
| EBITDA | 0.00 | 2.02 | 2.23 |
| PAT | 0.02 | -0.29 | 1.18 |
| Total Debt | 20.13 | 28.08 | 29.42 |
| Adjusted Tangible Net worth | 14.28 | 19.33 | 19.79 |
| Ratios | | | |
| EBIDTA Margin | - | 8.95 | 8.95 |
| PAT Margin | - | -0.67 | 1.58 |
| Overall Gearing ratio | 1.43 | 1.61 | 1.61 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

None

Any other information:

None



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Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|--------------------------------|--------------------------------|---------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | 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 loan | Long term | 17.09 | IVR BB/Stable | - | - | - |
| 2 | Cash credit | Long term | 8.00 | IVR BB/Stable | - | - | - |
| 3 | Bank Guarantee | Short term | 2.50 | IVR A4 | | | |

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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| | |
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About Infomerics:

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term loan | - | - | January, 2027 | 17.09 | IVR BB/Stable |
| Cash credit | - | - | - | 8.00 | IVR BB/Stable |
| Bank Guarantee | - | - | - | 2.50 | IVR A4 |