



Press Release

Clan Vitrified Private Limited [CVPL]

July 30, 2020

Rating

Sl. No	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term-Fund Based-Term Loan	19.15	IVR BB/Stable Outlook (IVR Double with Stable Outlook)	Assigned
2	Long Term-Fund Based-Cash Credit	10.00	IVR BB/Stable Outlook (IVR Double with Stable Outlook)	Assigned
3	Short Term-Non Fund Based-Bank Guarantee	5.20	IVR A4 (IVR A Four)	Assigned
	Total	34.35		

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters & long standing of group company, increase in scale of operation and profitability, moderate gearing & debt protection metrics and proximity to major sources of raw material and labour. The rating however is constrained by exposure to intense competition, vulnerability to fluctuations in fuel cost and raw material prices and exposure to cyclicalities in the end-user industry

Key Rating Sensitivities:

Upward Rating Factor:

- A substantial improvement in the revenue while maintaining profitability

Downward Rating Factor:

- Dip in operating income and/or profitability impacting the debt coverage indicator



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters & long standing of group companies in industry

CVPL is a part of the Millennium Group that has a diversified portfolio of manufacturing of tiles. The promoters of CVPL have long experience in the ceramic industry through their associate & group entities. These associate concerns are mainly engaged in the manufacturing of wall tiles, floor tiles, corrugated boxes, duplex paper boards. Group companies have established their long-standing presence in vitrified tiles segment and after that promoters have established a new entity for the manufacturing of double charged Vitrified Tiles with the name CVPL. CVPL also gets benefits from the existing marketing and distribution network of its other group entities.

Increase in scale of operation and Profitability

Scale of operation of CVPL is improving albeit remained small as per FY20 (provisional) i.e. INR 56.37 Crore in FY20 from INR 43.56 Crore in FY19. This increase in scale of operation is attributed to increase in exports and improvement in average price realization. There is also an increase in profitability in FY20 (Provisional) i.e. INR 1.24 Crore in FY20 from INR - 3.25 Crore in FY19. The EBITDA margin & subsequently PAT margin improved in FY20 due to improvement in revenue leading to moderation of fixed cost along with cost effective procurement of raw material.

Moderate Gearing and Debt Protection Metrics

Long term debt to equity ratio and overall gearing ratios of CVPL are comfortable and stood at 1.14 and 1.50x respectively in FY20.

Proximity to major sources of raw material and labour

Manufacturing facilities of CVPL are located at Morbi (Gujarat), which accounts for around 70% of ceramic tile production in India. Presence in Morbi facilitates easy access to input used in tiles i.e. clay, contractors and skilled labour, and major cost consuming infrastructure such as gas and power. Transportation costs are also saved for factories operating in Morbi due to presence of major ports i.e. Kandla and Mundra nearby.



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Key Rating Weakness

Exposure to intense competition

The ceramic tiles industry is highly competitive and dominated by the unorganised sector, which has a market share of around 50%. Additionally, companies face competitive pressure from low-cost Chinese imports. The ability to command a premium in the market will depend on the competitive advantage that CVPL will derive from its expertise in this business.

Vulnerability to fluctuations in fuel cost and raw material prices

Major manufacturing cost component in ceramic tile industry are raw material (body clay and feldspar) and power and 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 exposed to raw material price fluctuations impacting the cost structure and margins.

Exposure to cyclical in the end-user industry

Fortunes of the tiles industry are primarily driven by the real estate market and the economic scenario. As the real estate industry is the major consumer of ceramic tiles and hence CVPL's profitability and cash flows are likely to remain vulnerable to the cyclical in demand from the major end-user industry

Analytical Approach & Applicable Criteria:

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

Liquidity: Adequate

The current ratio of CVPL stood moderate at 1.07x on March 31, 2020 (Provisional). The company had generated the optimum cash accruals against the repayment obligation as per FY20 (Provisional). The average utilisation of fund based working capital limits remained at around 57% in the last twelve months ended May 20.



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About the company

Clan Vitrified Pvt. Ltd. (CVPL) incorporated in November 2009 is a Morbi based company engaged in manufacture and distribution of ceramic Double Charge Vitrified Tiles for local and export sales. CVPL's product range includes variety of designs, sizes and colors of best quality of Double Charge Vitrified Tiles. The tiles are produced in sizes of 600mm x 600mm & 800mm x 800mm. The total installed capacity installed capacity of 81,378 Metric Tonnes

Financials (Standalone)

For the year ended / As on*	INR in Crore	
	31-Mar-19 (A)	31-Mar-20 (P)
Total Operating Income	43.56	56.37
EBITDA	4.05	8.47
PAT	-3.25	1.24
Total Debt	30.81	25.60
Tangible Net Worth	5.9	7.2
EBIDTA Margin (%)	9.29	15.02
PAT Margin (%)	-7.35	2.20
Overall Gearing ratio (x)	1.67	1.50

* Classification as per Infomerics' standards

A-Audited and P-Provisional

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A



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Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Term Loan	Long Term	19.15	IVR BB/ Stable Outlook	--	--	--
Cash Credit	Long Term	10.00	IVR BB/ Stable Outlook	--	--	--
Bank Guarantee	Short Term	5.20	IVR A4	--	--	--
	Total	34.35				

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. 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 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term Facility-Term Loan	--	--	July-2029	19.15	IVR BB/ Stable Outlook
2	Long Term Facility-Cash Credit	--	--	--	10.00	IVR BB/ Stable Outlook
3	Short Term Facility-Bank Guarantee	--	--	--	5.20	IVR A4
Total					34.35	