



Press Release

Clan Vitrified Private Limited

January 24, 2023

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund based -Term Loan	19.15	IVR B+/ Stable (IVR Single B Plus with Stable Outlook) and withdrawn	Reaffirmed, Removed from Issuer Not Cooperating and withdrawn	Simple
Long Term Fund Based-Cash Credit	10.00	IVR B+/ Stable (IVR Single B Plus with Stable Outlook) and withdrawn	Reaffirmed, Removed from Issuer Not Cooperating and withdrawn	Simple
Short Term Non-Fund Based-Bank Guarantee	5.20	IVR A4 (IVR A Four) and withdrawn	Reaffirmed, Removed from Issuer Not Cooperating and withdrawn	Simple
Total	34.35 (Rupees Thirty-Four crore and Thirty Five lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics Valuation and Rating Private Limited has reaffirmed the ratings assigned to the bank facilities of Clan Vitrified Private Limited (CVPL) at IVR B+/ Stable/ IVR A4, and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of CVPL and 'No Objection Certificate' received from the bank who has extended the facilities, and which is rated by Infomerics.

The rating is withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings. The reaffirmation of the ratings assigned to the bank facilities of CVPL above factors in the experienced promoters and long standing of group companies in industry, proximity to major sources of raw material and labour. The ratings are, however, constrained by the moderate financial risk profile, vulnerability of profitability to fluctuations in raw material and fuel prices, intense competition, and cyclical in real estate industry, which is the end user.



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Key Rating Sensitivities

Upward Factors

- Sustained improvement in total operating income of more than 30%
- Sustained improvement in EBITDA margin of more than 10%

Downward Factors

- Deterioration in revenue and operating margins of less than 30%, resulting in lower-than expected cash accruals
- Stretch in working capital cycle leading to deterioration of liquidity position
- Deterioration in the capital structure i.e., >2x

Key Rating Drivers with detailed description:

Key Rating Strengths:

Experienced promoters and 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.

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.

Key Rating Weaknesses:

Moderate financial risk profile

The company's overall income has fluctuated over the last three fiscal years ended in FY22. Due to an increase in sales volume and rising product demand, overall revenue grew in FY22. The company's revenue increased from Rs. 49.84 crore in FY21 to Rs. 60.81 crore in FY22.



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EBITDA and PAT margins of company has decreased to 9.60% and 1.95% respectively in FY22 from 14.07% and 4.28% respectively in FY21 on account of fluctuation in prices of raw material. The financial risk profile of the company is marked by moderately leveraged capital structure and moderate debt protection metrics. The overall gearing ratio and TOL/TNW were at 2.82x and 4.13x respectively as on March 31, 2022 as against 3.21x and 4.70x respectively as on March 31, 2021, primarily due to repayment in term loan and accretion of profits to reserves. Further, the interest coverage ratio and total debt to GCA ratio stood at 2.09x and 7.39x respectively in FY22 as against 2.19x and 5.53x respectively in FY21.

Vulnerability of profitability to fluctuations in raw material and fuel prices

The two major cost components (45%) that determine cost competitiveness in the ceramic sector are raw materials and fuel. Because the company has limited control over the cost of its essential inputs, its profitability is vulnerable to fluctuations in raw material and fuel prices, given its limited capacity to pass on the increase to customers amid the intense competition in the industry.

Intense competition and cyclicalities in real estate industry

The ceramic tile industry is highly competitive, with large and organised competitors along with numerous small-scale unorganised competitors, putting pressure on CVPL revenues and profitability. Furthermore, the real estate industry continues to be the primary end-user of ceramic tiles, making the company's revenue and cash flows susceptible to cyclicalities in the end-user industry.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Withdrawal of Ratings](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

CVPL has sufficient cash generation to service its debt. The current ratio stood at 1.39x as on March 31, 2022, as against 1.49x as on March 31, 2021. Operating cycle stands moderate at



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79 days in FY22 (FY21: 71 days). The cash and cash equivalent stood at Rs. 0.41 crore as on as on March 31, 2022.

About the Company

Incorporated in November 2009, CVPL is a Morbi based company which is 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 colours of 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 per annum.

Financials (Standalone):

(Rs. crore)

For the year ended/ As On*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	49.84	60.81
EBITDA	7.01	5.84
PAT	2.21	1.21
Total Debt	31.22	31.65
Tangible Network	9.72	11.22
Ratios		
EBITDA Margin (%)	14.07	9.60
PAT Margin (%)	4.28	1.95
Overall Gearing Ratio (x)	3.21	2.82

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 9, 2022)	Date(s) & Rating(s) assigned in 2021-22 (September 2, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 30, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	19.15	IVR B+/ Stable and withdrawn	IVR B+; ISSUER NOT COOPERATING*	IVR BB-; ISSUER NOT COOPERATING*	IVR BB/ Stable	-
2.	Cash Credit	Long Term	10.00	IVR B+ / Stable and withdrawn	IVR B+; ISSUER NOT COOPERATING*	IVR BB-; ISSUER NOT COOPERATING*	IVR BB/ Stable	-



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3.	Bank Guarantee	Short Term	5.20	IVR A4 and withdrawn	IVR A4; ISSUER NOT COOPERATING*	IVR A4; ISSUER NOT COOPERATING*	IVR A4	-

* Issuer did not cooperate; based on best available information

Name and Contact Details of the Rating Team:

Name: Shreekant Kadere	Name: Niriksha Gupta
Tel.: (022) 6239 6023	Tel.: (022) 6239 6023
Email: shreekant.kadere@infomerics.com	Email: niriksha.gupta@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating



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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	19.15	IVR B+/ Stable and Withdrawn
Cash Credit	-	-	-	10.00	IVR B+/ Stable and Withdrawn
Bank Guarantee	-	-	-	5.20	IVR A4 and Withdrawn

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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