



Press Release

IBIS Smart Marble Private Limited

November 03, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	124.27	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	5.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	129.27 (Rupees one hundred and twenty-nine crore and twenty-seven lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of IBIS Smart Marble Private Limited (ISMPL) derives comfort from experience of its promoters in the tiles manufacturing industry, improved business performance marked by improvement in operating income albeit thin profitability and locational advantage. However, these rating strengths are partially offset by its presence in competitive industry, working capital intensive nature of operation leading to leveraged capital structure and moderate debt protection metrics.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income along with improvement in profitability on a sustained basis.
- Improvement in operating cycle leading to improvement in liquidity.
- Improvement in capital structure marked by improvement in overall gearing to below 1.2x

Downward Factors

- Decline in operating revenue and/or profitability impacting gross cash accruals.



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- Withdrawal off subordinated unsecured loans leading to moderation in the capital structure leading to moderation in overall gearing ratio to over 2x
- Any unplanned capex impacting the capital structure and/ or liquidity
- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experience of the promoters

IBIS's operations are managed by Mr. Kantilal Shersiya, Mr. Pratik Patel and Mr. Jayesh Sherasiya. The promoters are supported by other experienced and resourceful directors in day-to-day operations. The promoters also hold directorship in Pearl Quartz Stone Private Limited and Silverpearl Tiles (I) Private Limited amongst others, which are engaged in similar line of business. Marketing and distribution network developed by these group companies has helped IBIS to scale up its operations in the domestic market in the first year of commercial operations itself.

Improvement in operating income albeit thin profitability

The total operating income witnessed an erratic trend for the past three fiscals. In FY23 the top line has significantly improved by ~23% to Rs.156.06 crore from Rs.126.70 crore in FY22 backed by increase in demand for porcelain slabs for flooring, wall cladding, and other construction activities since this industry is again on track post covid pandemic. The profit margins have also improved in FY23. The EBITDA margin has improved from 16.45% in FY22 to 17.17% in FY23. Similarly, the PAT margin, though remained thin due to high depreciation and interest charges, has improved to 1.31% in FY23 as compared to 1.16% in FY22.

Locational Advantage

IBIS's manufacturing facility is located at Morbi district of Gujarat which is one of the largest ceramic clusters in India. More than 70% of total ceramic tiles production in India comes from this region which is used for manufacturing of wall tiles, flooring, roofing, and such other products. The primary raw materials i.e., various types of clay and minerals are easily available



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from Gujarat and parts of Rajasthan. Moreover, the vicinity of the city with major ports also lowers the transportation cost and thus helps the exporters of ceramic tiles from this region.

Key Rating Weaknesses

Presence in competitive industry

The ceramic tile industry in India is highly competitive with low entry barriers and easy availability of raw material. IBIS faces direct competition from large established players having better brand visibility.

Working capital intensive nature of operation

The operations of the company remained working capital intensive over the years due to its high average inventory holding period coupled with high average debtors collection period. Moreover, the GCA days of the company also remained high at ~194 days in FY23 (~237 days in FY22).

Leveraged capital structure and moderate debt protection metrics

The capital structure of the company includes subordinated unsecured loans treated as quasi equity amounting to Rs.30.79 crore. Including the said subordinated unsecured loans the net worth of the company stood at Rs.58.63 crore as on March 31, 2023. The leverage ratios marked by overall gearing ratio (including quasi equity) remains moderate at 1.55x as on March 31, 2023 provisional (1.70x as on March 31, 2022). The overall gearing has marginally improved with accretion of profits to reserve. The debt protection metrics marked by interest coverage has improved from 1.95x in FY22 to 2.38x in FY23 (provisional) due to rise in absolute EBITDA. The total debt/GCA has improved from 8.82 years as on March 31, 2022 to 5.82 years as on March 31, 2023 (provisional) on the back of rise in absolute GCA.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its debt repayment obligations. The company is expecting to generate cash accruals in the range of ~Rs.17.37 to ~Rs.22.10 crore as against its debt repayment obligations in the range of ~Rs.15.49 to ~Rs.19.43 crore during FY24-FY26. However, the average working capital utilisation is high at ~89% during last 12 months ending in August 2023, which imparts limited liquidity buffer.

About the Company

IBIS Smart Marble Pvt Ltd (IBIS) is incorporated in May 2017 by Mr Kantilal Shersiya, Mr Pratik Patel and Mr. Jayesh Sherasiya and is engaged in manufacturing of porcelain ceramic slabs of various sizes such as 800x1600 mm, 1200x1600 mm, 1200x2400 mm, 800x2400 mm, 800x3000 mm, 800x3200 mm, 1600x3200 mm and thickness varies from 9mm to 20 mm. Its manufacturing unit is located in Indian ceramic district, Morbi in Gujarat.

Financials (Standalone):

(Rs. crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	126.70	156.06
EBITDA	20.84	26.79
PAT	1.47	2.05
Total Debt	88.13	91.07
Tangible Net worth	25.79	27.84
Tangible Net worth (including Quasi equity)	51.91	58.63
EBITDA Margin (%)	16.45	17.17
PAT Margin (%)	1.16	1.31
Overall Gearing Ratio	1.70	1.55

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans / GECL	Long Term	101.27	IVR BB+; Stable (IVR Double B	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
				Plus with Stable outlook)			
2.	Cash Credit	Long Term	23.00	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	-	-	-
3.	Bank Guarantee	Short Term	5.00	IVR A4+ (IVR A four Plus)	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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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 loans / GECL	-	-	Sep 2026	101.27	IVR BB+; Stable
Cash Credit	-	-	-	23.00	IVR BB+; Stable
Bank Guarantee	-	-	-	5.00	IVR A4+

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-IBIS-nov23.pdf>

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 on the basis of complexity and a note thereon is available at www.infomerics.com.