



Press Release

Livenza Granito LLP (LGL)

October 20, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	16.33	IVR BB/ Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facility	4.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	20.33 (INR Twenty Core and Thirty Three lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Livenza Granito LLP (LGL) factors in moderate capital structure of the firm in FY23. The ratings continue to factor in the long track record of partners in the ceramic industry and strategic locational advantage. The ratings are, however, constrained by decline in total operating income in FY23, intense competition and cyclical nature in real estate industry and vulnerability to changes in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

- **Experienced promoters**

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. The long experience of the promoters in the ceramic tile industry has enabled the group to get repeat orders from its customers and procure raw material at favourable terms from its suppliers.

- **Strategic Location Advantage**

The firm's manufacturing plant is located in Morbi (Gujarat) which is considered to be the ceramic hub of India, contributing over 70% 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.

- **Moderate capital structure of the firm in FY23**

Firm's overall capital structure remained moderate in FY23. Firm's overall gearing ratio stood at 1.12x, TOL/ TNW stood at 2.16x in FY23. Firm's DSCR stood at 0.78x in FY23 while interest coverage ratio of the firm stood at 2.56x in FY23.

Key Rating Weaknesses

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

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



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- **Vulnerability to changes in raw material prices and foreign exchange risk.**

The prices of major raw material i.e. clay and fuel (natural gas) constitute a major part of the cost structure of an entity in the ceramic tile industry, and are market driven. Inability of the company to pass on the increase in these costs to its customers may exert pressure on profitability of the company. Company has unhedged foreign exposure of Rs.12.42 crore as on June 2023.

- **Decline in key profit margins indicators in FY23**

LGL's overall profit margin reduced compared to FY22. LGL's PBT and PAT margins reduced from 2.97%, 2.03% respectively in FY22 to 2.39%, 1.52% respectively in FY23. Firm's overall profit margins reduced due to lower sales in FY23. Firm has registered sales of Rs.60.69 crore with PBT of Rs.1.80 crore for the period of 6MFY24.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning outlook](#)

[Rating Methodology for manufacturing companies](#)

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



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Liquidity – Adequate

The liquidity of the firm is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. LGL's average fund based working capital utilization for the 12 months ended September 2023 stood around ~90.00%. Current ratio and quick ratio were 1.09x and 0.80x respectively as on March 31, 2023. LGL does not have any capex plans till FY26.

About the Company

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

Financials (Standalone):

Rs in Crore

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	111.19	83.43
EBITDA	7.08	5.56
PAT	2.29	1.29
Total Debt	27.31	21.76
Tangible Net Worth	16.53	19.40
EBITDA Margin (%)	6.37	6.67
PAT Margin (%)	2.03	1.52
Overall Gearing ratio(X)	1.65	1.12

* Classifications as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	(August 1, 2022)	(April 12, 2022)	Date(s) & Rating(s) assigned in 2021-22 (February 1, 2021)
1.	Cash Credit	Long Term	10.00	IVR BB/Stable	IVR BB/Stable	IVR BB-(INC)	IVR BB/Stable	-
2.	Term Loan	Long Term	6.33	IVR BB/Stable	IVR BB/Stable	IVR BB-(INC)	IVR BB/Stable	-
3.	Bank Guarantee	Short Term	4.00	IVR A4	IVR A4	IVR A4 (INC)	IVR A4	-

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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



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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
Cash Credit	-	-	Revolving	10.00	IVR BB/ Stable
Term Loan	-	-	May 2025	6.33	IVR BB/ Stable
Bank Guarantee	-	-	-	4.00	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-Livenza-oct23.pdf>

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



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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.

