



Press Release

Ramest Ceramic LLP

August 3, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	4.50	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	64.50 (Rupees Sixty Four crore and Fifty lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has considered the consolidated financial profiles of Ramest Ceramic LLP (RCL), Ramest Granito LLP (RGL) and Elica Vitrified Pvt. Ltd. (EVPL), collectively referred to as the Ramest group, for arriving at the ratings.

The ratings assigned to the bank facilities of the Ramest group factors in the experience of its promoters in the ceramic tiles industry, presence in the ceramic tile manufacturing cluster at Morbi, moderate scale of operations and moderate capital structure. The ratings are, however, constrained by group's working capital intensive operations, susceptibility of its profitability to fluctuations in raw material prices and forex rates, presence in a highly competitive and fragmented industry and linkages with the cyclical real estate sector.

Key Rating Sensitivities

Upward Factor

- Sustained improvement in the total operating income by more than 15%



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- Significant improvement in debt protection parameters and liquidity position of the firm

Downward Factor

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the firm.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

The promoters of Ramest group, the Barasara family, have been involved in the ceramic tiles industry for decades. Mr. Prabhubhai Barasara and Mr. Ramjibhai Barasara have an experience of around 20 years, while Mr. Hareshbhai Barasara has an experience of around 7 years. All three are involved in the day-to-day operations of the Ramest group. 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.

Presence in the ceramic tile manufacturing cluster at Morbi

Ramest group's manufacturing facilities are located in the ceramic cluster of Morbi (Gujarat), which accords the group locational advantage in terms of raw material sourcing and easy availability of skilled manpower. Further, closeness to Gandhidham sea port also provides the necessary access for exports.

Moderate scale of operations

The group's total operating income has improved up to Rs.121.54 crore in FY19 to Rs.142.16 crore in FY20. The group's total operating income reduced by 5% to Rs.135.32 crore in FY21 due to covid-19. The EBITDA margin and PAT margin remained almost stable at 10.76% and 1.57% respectively in FY21 as compared to 10.83% and 1.47% respectively in FY20. The GCA also remained almost stable in FY21 at Rs.10.06 crore as compared to Rs.10.69 crore in FY20.

Moderate capital structure

Ramest group's capital structure was moderate with overall gearing and TOL/ TNW ratios of 1.15x and 1.73x respectively as on March 31, 2021 as against 1.86x and 2.87x respectively



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as on March 31, 2020. Further, the debt protection metrics viz. interest coverage ratio and total debt/ GCA ratio also continued to remain moderate at 2.23x and 5.85x respectively in FY21 as compared to 2.63x and 6.07x respectively in FY20.

Key Rating Weaknesses

Working capital intensive operations

The operating cycle elongated from 117 days in FY20 to 130 days in FY21 mainly due to the increase in average inventory holding period from 73 days in FY20 to 90 days in FY21. The group's average collection period continued to remain elongated at 128 days in FY21, almost in line with the group's credit policy of extending 90-120 days credit to its customers. The average creditor days was at 89 days in FY21, in line with the credit allowed by its suppliers.

Susceptibility of its profitability to fluctuations in raw materials prices, fuel cost and foreign exchange rates

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.

Further, Ramest group is exposed to fluctuations in the foreign exchange rates as more than 20% of the total operating income coming from exports. However, it doesn't have any hedging policy. The unhedged forex exposure of the group stood at Rs.4.27 crore as on March 31, 2022.

Presence in a highly competitive and fragmented industry and linkages with the cyclical real estate sector

The tiles industry is intensely competitive and fragmented with the presence of numerous organized as well as unorganized players. Intense competition restricts the profitability of the players, given the limited pricing flexibility. Further, the ceramic tile industry has strong linkages with the real estate industry which is highly cyclical in nature.

Analytical Approach: Consolidated

Infomerics has considered the consolidated financial profiles of RGL, RCL and EVPL, collectively referred to as Ramest Group, for arriving at the ratings. The consolidation is on account of three entities being engaged in the same line of business having



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common management, and operational and financial linkages existing between the three entities in the form of common sourcing of raw material, sale using the common brand, joint negotiations with customers etc.

Applicable Criteria:

[Criteria of assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Rating Criteria on Consolidation of companies](#)

Liquidity- Adequate

Ramest Group's liquidity position stood adequate marked by sufficient cash accruals as against its repayment obligations. Its current ratio stood at 1.72x as on March 31, 2021. The group doesn't have any major capex planned till FY24.

About the Group

Ramest Group is involved in manufacturing of tiles in Morbi district of Gujarat. The Ramest Group is promoted by Mr. Prabhubhai Barasara and his family. Ramest Group consists of three entities, namely RGL, RCL and EVPL.

About the Firm

RCL started its operations in December 2021 in Morbi, Gujarat. RCL is involved in manufacturing of glazed vitrified tiles. It has an installed capacity of 43 lacs boxes p.a. at its manufacturing facility located at Morbi. RCL is promoted by Mr. Ramjibhai Barasara and Mr. Hareshbhai Barasara and family.



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Financials (Consolidated)

(Rs. crore)

For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	142.16	135.32
EBITDA	15.40	14.57
PAT	2.11	2.18
Total Debt	64.89	58.83
Tangible Net Worth	34.91	51.32
Ratios		
EBITDA Margin (%)	10.83	10.76
PAT Margin (%)	1.47	1.57
Overall Gearing Ratio	1.86	1.15

*As per Infomerics' standards

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)
Total Operating Income	-
EBITDA	-
PAT	-
Total Debt	2.02
Tangible Net Worth	13.24
Ratios	
EBITDA Margin (%)	-
PAT Margin (%)	-
Overall Gearing Ratio (x)	0.15

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit	Long Term	15.00	IVR BB+/ Stable	-	-	-
2	Term Loan	Long Term	45.00	IVR BB+/ Stable	-	-	-
3	Bank Guarantee	Short Term	4.50	IVR A4+	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

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, suspend 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



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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 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	-	-	March 31, 2029	45.00	IVR BB+/ Stable
Cash Credit	-	-	-	15.00	IVR BB+/ Stable
Bank Guarantee	-	-	-	4.50	IVR A4+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Ramest Granito LLP	Full Consolidation
Ramest Ceramic LLP	Full Consolidation
Elica Vitrified Private Limited	Full Consolidation

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Ramest-Ceramic-aug22.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.