



Press Release

Spinora Tiles Private Limited (STPL)

October 05, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Bank Facility – Cash Credit	5.00	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
2.	Long Term Fund Based Bank Facility – Term Loan	8.54	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
4.	Short Term Non Fund Based Bank Facilities	1.75	IVR A4 (IVR Single A Four)	Assigned
	Total	15.29 (Fifteen crore and twenty nine lakhs only)		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Spinora Tiles Private Limited derives comfort from experienced and resourceful promoters, strategic location advantage and improvement in the capital structure and moderate financial risk profile. However, the rating strengths are constrained by nascent stage of operations, intense competition and cyclicity in real estate industry and vulnerability to changes in raw material prices.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained improvement in scale of operations and/or profitability leading to improvement in debt protection metrics.

Downward Factors

- Any decline in scale of operations and/or profitability leading to deterioration in debt protection metrics.



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced and resourceful promoters:

The company was established under the guidance of Mr. Bharat Kasundra, Mr. Praful Panara, Mr. Dinesh Adroja and Mr. Rajesh Patel who collectively have an experience of over a decade in tiles industry. The promoters are supported by a highly qualified and trained team to run day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers.

Strategic Location Advantage:

The company manufacturing plant is located in Morbi which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. Therefore, the company has competitive advantage in easy access to quality raw material at competitive prices and lower transportation cost from Gujrat and some parts of Rajasthan.

Improvement in the capital structure and moderate financial risk profile:

STPL has witnessed gradual improvement in its capital structure over the last three account closing dates backed steady increase in operations during the aforesaid period (FY18-FY20), scheduled repayment of term debt obligations and accretion of profit to net worth. The financial risk profile of the company remained moderate over the years marked by its moderate overall gearing ratio at 1.26x as on March 31, 2020(FY19: 1.97x, FY18: 2.04x) and moderate debt protection metrics. The debt protection metrics of the company improved and remained moderate marked by interest coverage of 2.58x as on March 31, 2020(FY19: 2.22x, FY18: 1.03x). Further, the total debt to equity remained at 0.97x as on March 31, 2020 (1.92x as on March 31, 2019).

Key Rating Weaknesses

Nascent Stage of operations:

Being in a nascent stage (commercial operations commencing from April 2017), the company achieved a revenue of Rs 50.40 crore in FY20 (Provisionals) and Rs. 43.07 in FY19 with an average capacity utilisation of ~97% in both the years. The growth in total operating income



Press Release

is largely driven by improvement in scale of operations and increase demand in domestic tiles market space. With improvement in TOI during the aforesaid period enables the company to stably maintain EBIDTA margins at ~9.5%. STPL has generated adequate cash generation to repay its debt obligations.

Intense competition and cyclicity in real estate industry:

The tile manufacturing industry is characterized by intense competition due to consequent low entry barriers, easy availability of raw material, limited initial capital investment, which results in limiting the pricing flexibility resulting in pressure on company's revenue and margins. STPL faces direct competition from the large and organized players who have better brand visibility. Further sale of tiles is also linked to demand from real estate sector, which is cyclical in nature.

Vulnerability to changes in raw material prices:

Major manufacturing cost component in ceramic tile industry are raw material (body clay and feldspar) and power, fuel (STPL uses Natural Gas) 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.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The current ratio remained comfortable at 1.08x and 1.43x respectively as on closing dates of FY 2020 & FY19 respectively. Further, the company's cash flow from operations also remain adequate albeit having a moderate scale of operations. The liquidity of the company expected to remain **Adequate** in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. Average fund based working capital utilisation was 59.37% for the twelve months ended August 2020.



Press Release

About the Company

Incorporated in 2016, located in Morbi, Gujrat, Spinora Tiles Private Limited (STPL) has been in the business of manufacturing and trading of glazed wall tiles with an installed capacity of 31,500 Metric Tonnes Per Annum (MTPA). The company manufactures wall tiles under the brand name Spinora.

Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	43.26	50.47
EBITDA	5.36	4.67
PAT	0.23	0.47
Total Debt	18.17	12.25
Tangible Net-worth	6.21	6.68
Ratios		
EBITDA Margin (%)	12.45	9.26
PAT Margin (%)	0.53	0.93
Overall Gearing Ratio (x)	1.97	1.26

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	5.00	IVR BB-/Stable Outlook	--	--	--
2.	Term Loan	Long Term	8.54	IVR BB-/Stable Outlook	--	--	--
3.	Bank Guarantee	Short Term	1.75	IVR A4	--	--	--

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.



Press Release

Name and Contact Details of the Rating Team:

Name: Shreshtha Singhvi

Tel: (022) 62396023

Email: ssinghvi@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com**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.

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 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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Cash Credit	-	-	Revolving	5.00	IVR BB-/Stable Outlook
Long Term Fund Based - Term Loan	-	-	Upto March 2024	8.54	IVR BB-/Stable Outlook



Press Release

Short Term Non Fund Based – Bank Guarantee	-	-	Upto 1 Year	1.75	IVR A4
--	---	---	-------------	------	--------

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Spinora-tiles-lenders-oct20.pdf>