

June 09, 2015

## CARE ASSIGNS 'CARE BB' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF CORAL CERAMIC PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	6	<b>CARE BB (Double B)</b>	Assigned
Short-term Bank Facilities	1.75	<b>CARE A4 (A Four)</b>	Assigned
<b>Total</b>	<b>7.75</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Coral Ceramic Private Limited (CCPL) are constrained primarily on account of its modest scale of operations and its presence in a highly fragmented and competitive ceramic tile industry along with fortunes dependent upon the cyclical real estate industry. The ratings are further constrained on account of the working capital-intensive nature of its operations and susceptibility of profit margins to volatility in raw material and fuel (natural gas) prices.

The ratings, however, derive strength from the established operational track record of the company, vast experience of the promoters in the ceramic industry coupled with its location in the ceramic tiles hub with easy access to raw material, power and fuel. The ratings further derive strength from moderate profitability, comfortable capital structure and debt coverage indicators.

The ability of CCPL to increase its scale of operation along with improvement in profitability while managing raw material price fluctuation and working capital requirement efficiently are the key rating sensitivities.

### Background

Incorporated in 2003, Morbi-Gujarat based CCPL is a part of "Coral Group" and was promoted by Mr Narayanbhai Zalariya along with six other promoters. CCPL is an ISO 9001:2008 certified company engaged in the business of manufacturing of ceramic floor tiles of different size and operates from its sole manufacturing facilities located at Morbi with an installed capacity to produce 7,500 boxes per day as on March 31, 2014.

The promoters of the "Coral Group" are also engaged in the manufacturing of ceramic and vitrified tiles through its group companies, Coral Plus Ceramic Private Limited (rated 'CARE BB/A4', assigned in March 2015), Coral Gold Tiles Private Limited and Coral Granito Private Limited (rated 'CARE BBB-/A3', reaffirmed in February 2015). During FY14 (refers to the period April 1 to March 31), the Coral group has achieved the aggregate turnover of Rs.225.02 crore.

As per the audited results of FY14, CCPL reported profit after tax (PAT) of Rs.0.72 crore on a total operating income (TOI) of Rs.29.82 crore as against PAT of Rs.0.73 crore on a TOI of Rs.29.13 crore in FY13.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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