

Stefina Vitrified Private Limited

August 28, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	32.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	4.00	CARE A4 (A Four)	Assigned
Total	36.00 (Rupees Thirty Six crore only)		

Details of instruments/facilities in Annexure - I

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Stefina Vitrified Private Limited (SVPL) are primarily constrained on account of its nascent stage of operations, susceptibility to fluctuations in raw material and fuel costs and presence in highly competitive ceramic industry coupled with direct linkage to cyclical nature of real estate sector.

The ratings, however, derive strength from the wide experience of promoters, location advantage and presence of existing selling and distribution network of group entities.

The ability of SVPL to increase its scale of operations with improvement in profitability, capital structure and debt coverage indicators are the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Weaknesses

Nascent Stage of Operations

SVPL has recently implemented a green field project of manufacturing of vitrified tiles with the estimated cost of Rs.44.50 crore which was funded through debt equity mix of 1.97 times. The commercial operations have commenced from March, 2017. During 4MFY18 (Provisional), SVPL achieved a turnover of Rs.12 crore.

Susceptibility of operating margins to volatility in raw material and fuel costs

Prices of raw material i.e. clay & feldspar is market driven and expected to put pressure on the margins of tile manufacturers. Another major cost component is fuel expenses in the gas form which is required to fire the furnace. The profitability of SVPL remains exposed to volatile LNG prices, mainly on account of its linkages with the international demand/supply of natural gas. Hence, CVPL's ability to control its cost structure would be crucial going forward especially in light of competitive environment.

Presence in a highly competitive ceramic industry and fortunes linked to demand from cyclical real estate sector

SVPL operates in highly competitive segment of the ceramic industry marked by low entry barriers, presence of large number of organized and unorganized players with capex planned by existing players in the industry as well as new entrants. Further, demand for such products is directly linked with that of growth of real estate sector which in turn is also volatile in nature.

Key Rating Strengths

Experienced promoters

SVPL was established by three promoters, Mr. Manojkumar Vilpara, Mr. Hiteshbhai Vilpara and Mr. Rajeshbhai Vilpara who have got an experience of more than a decade in the field of ceramic tiles manufacturing through their earlier association with their partnership firms.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Accessibility of existing selling and distribution network of the associate firms

The group entities of SVPL are engaged into manufacturing and trading of vitrified tiles, wall tiles, ceramic materials and its parts etc. Hence, it has an advantage of established selling and distribution network of these associate entities to market its products.

Location Advantage

The manufacturing unit of SVPL is located at Morbi (Gujarat) which is one of the largest ceramic clusters in India. Majority of total ceramic tiles production in India comes from the Morbi cluster that houses more than 600 units engaged in manufacturing of wall tiles, vitrified tiles, floor tiles, sanitary wares, roofing tiles and others such products. It provides easy access to raw material, fuel and labor.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

Morbi (Gujarat) based SVPL was incorporated in January 2016 by Mr. ManojkumarVilpara, Mr. HiteshbhaiVilpara and Mr. RajeshbhaiVilpara. It has set up its plant in Morbi for manufacturing of vitrified tiles of various sizes varying from 600 mm x 600 mm to 1600 mm x 4800 mm and operates with an installed capacity of 64,800 metric tonnes per annum as on March 31, 2017. SVPL completed debt funded capex at a total cost of Rs.44.50 crore and the same was funded through debt/equity mix of 1.97x. Commercial production commenced from March 2017 onwards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure 1: Details of Instruments/Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July 2025	25.00	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-		7.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	4.00	CARE A4

Annexure 2: Rating History for last three years:-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	25.00	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	4.00	CARE A4	-	-	-	-

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