Antique Marbonite Private Limited

February 10, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable (Triple B Plus; Outlook: Stable) and Withdrawn
Short-term Bank Facilities	-	-	Reaffirmed at CARE A2 (A Two) and Withdrawn
Long-term/ Short-term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable/ CARE A2 (Triple B Plus; Outlook: Stable/ A Two) and Withdrawn
Total Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed & withdrawn the outstanding ratings of 'CARE BBB+; Stable/ CARE A2' (Triple B Plus; Outlook: Stable/ A Two) assigned to the bank facilities of Antique Marbonite Private Limited (AMPL) with immediate effect. The above action has been taken at the request of AMPL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

The ratings continue to derive strength from its experienced & resourceful promoters, strong operational synergies with Prism Johnson Limited (PJL), location advantage with presence in ceramic tile cluster of India and comfortable capital structure, working capital cycle & debt coverage indicators.

The ratings are further underpinned by export-backed growth in AMPL's scale of operations along with improvement in its profitability during FY20 (refers to the period April 1 to March 31), increase in capacity utilisation levels of its quartz facility and comfortable liquidity position.

The ratings, however, continue to remain constrained on account of AMPL's presence in an intensely competitive industry, strong linkages of the industry with the cyclical real estate sector and susceptibility of its profitability to volatile fuel & key raw material prices.

CARE also takes cognizance that AMPL has availed moratorium granted by its lenders as a COVID-19 relief measure (as permitted by the Reserve Bank of India) on working capital facilities & term debt.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with established track record of operations: AMPL is promoted & controlled equally by PJL and Kundaria family. Mr. Chunilal Kundaria, Mr. Vinod Kundaria & Mr. Paresh Kundaria manage the daily operations of the company and have vast experience in the ceramic tiles industry. PJL through its representatives on Board of Directors provides strategic inputs to the company.

PJL is operating in 3 segments i.e. Cement, Tiles and Ready Mix Concrete (RMC). PJL has a well-established position in cement (in central India), tiles and ready mix concrete segment. In the ceramic tile segment, PJL is one of the leading ceramic tile manufacturers in India with an installed capacity of 63 million square meters p.a. as on March 31, 2020.

Strong off take arrangement with PJL: AMPL continues to benefit from the contractual selling agreement with PJL, whereby AMPL sells its entire production of polished/glazed vitrified tiles to PJL, which is onward sell by PJL under the brand *'Johnson Marbonite'* through its established & wide spread distribution network of over 1000 dealer & 10,000 sub dealers in India & abroad. However, AMPL can sell Marble and Quartz in the export market under its own brand name.

Production planning and sales price is decided periodically in consultation with PJL. The association with PJL has demonstrated a competitive advantage of strong off-take for AMPL's entire product range and regular payment track record for around 15 years.

Locational advantage with presence in the ceramic tile cluster: The manufacturing facility of AMPL is located in Morbi (Gujarat) which is the largest ceramic cluster in India. It provides advantage in terms of raw material procurement (clay and glaze frit are easily available from Gujarat & Rajasthan), fuel availability for firing of kilns (natural gas from Gujarat Gas Ltd & propane from Reliance Industries Limited & Indian Oil Corporation Limited) and availability of skilled manpower. Moreover, proximity of major ports (such as Kandla and Mundra) also lowers the transportation cost and facilitates timely export.

Export-backed growth in scale of operations along with improvement in profitability: During FY20, AMPL's total operating income (TOI) grew marginally by 5% y-o-y to Rs.313.48 crore (FY19: Rs.298.76 crore). Dip in domestic sales due to subdued

[1]*Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

demand from the end user industry was offset by growth in exports of quartz slabs, primarily to USA. During FY20, AMPL's plant operated at a healthy capacity utilisation of 90% for quartz slabs and 81% for ceramic tiles.
In line with TOI, AMPL continued to maintain its PBILDT margin at 11.91% during FY20 (FY19: 11.25%) owing to decline in fuel cost & increase in share of high margin quartz slabs in total revenue. Nevertheless, PAT margin has improved significantly by 248 bps to 5.67% during FY20 (FY19: 3.19%) on account of reduction in finance cost owing to rationalization of debt levels.
During Q1FY21, due to sudden outbreak of COVID-19 resulted in forced lockdown and cessation of manufacturing operations for around 1-1.5 months. However, with resumption in operations from May 2020, AMPL was able to scale up quickly on account of revival in export demand primarily from USA. During 9MFY21 (Provisional), AMPL reported TOI of Rs.204 crore.
Comfortable capital structure and healthy debt coverage indicators: Owing to scheduled repayment of term loan & lower reliance on working capital borrowings as on balance sheet date, AMPL's overall gearing improved further to 0.28x as on March 31, 2020 (0.59x as on March 31, 2019). Debt coverage indicators marked by PBILDT interest coverage & total debt to gross cash accruals improved significantly at 7.17x & 1.52x in FY20 respectively (FY19: 4.48x & 3.64x) due to lower interest cost, improvement in profitability and lower debt levels.
Reduction in working capital intensity: Order backed production for PJL and increasing demand of quartz slabs in export market reduces the requirement of maintaining higher inventory levels at distribution points. Furthermore, with increase in proportion of exports, wherein credit is limited to 30-45 days (as against 60 days to PJL), working capital intensity of AMPL's operations has reduced y-o-y basis. Consequently, overall average collection period & working capital cycle reduced to 63 days (76 days in FY19) and 71 days (85 days in FY19) respectively during FY20. AMPL's operating capital employed, as a % of net working capital, remained low at 25% as on March 31, 2020.
The working capital intensity, however, is envisaged to increase from FY21 on account of revision in credit period extended to PJL.

Key Rating Weaknesses

Susceptibility of its profitability to volatile fuel and key raw materials prices: 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. Considering prices of both (clay and natural gas) are market driven, inability of the company to pass it on to its customers with a time lag may exert pressure on the profitability of the company. However, a sharp decline in crude oil prices is envisaged to augur well for ceramic tile industry due to the direct linkage of natural gas prices with crude oil prices.
Presence in an intensely competitive industry with close linkages of demand with cyclical real estate industry: Low entry barriers, easy availability of raw materials and limited initial capital investment requirement has resulted it being intensely competitive with presence of large number of unorganized players. Apart from unorganised players, AMPL also faces stiff competition from established players in the organised/unorganised market. Furthermore, moderation in demand from the end-user industry, which is strongly correlated with economic activities, has also impacted the demand of ceramic tiles in the past. However, due to anti-china movement and faster than expected recovery of demand in the domestic market, scaling up of operations by ceramic tile entities has been faster than envisaged. Sustainability of this growth domestic as well as export demand seen from Q2FY21 (refers to the period July 1 to September 30) remains a key monitorable going forward.
Analytical approach: Standalone along with taking cognizance of its association with PJL in terms of joint ownership (50% stake of PJL) and operational support (off take arrangement for sale of its vitrified tiles, quartz and marble slabs in the domestic market).
Hence, standalone financials of AMPL, along with demonstrated operational support from the promoter, is considered for analysis purpose.

Applicable Criteria:
Policy on Withdrawal of ratings
Rating Methodology - Manufacturing Companies
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Notching by factoring linkages in Ratings
Criteria for Short Term Instruments
Financial ratios - Non- Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company

Morbi (Gujarat)-based AMPL was incorporated in 2003 as Antique Granito Limited. It was renamed to AMPL in October 2010. The company is engaged in manufacturing of mirror polished vitrified tiles, marble and quartz slabs. Its manufacturing facility is located at Morbi.
PJL holds 50% equity in AMPL, while the balance is held by individual promoters. As on June 30, 2020, AMPL had an installed capacity to manufacture 99.80 lakh square meters per annum (lsmpa) of vitrified tiles, 7 lsmpa of marble and 4 lsmpa of quartz slabs.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	298.76	313.48
PBILDT	33.62	37.34
PAT	9.53	17.77
Overall gearing (times)	0.59	0.28
Interest coverage (times)	4.48	7.17

A: Audited

During 9MFY21 (Provisional), AMPL reported TOI of Rs.204 crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this Company: Please refer Annexure-3

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-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC	-	-	-	0.00	Withdrawn
Fund-based - ST-Working Capital Limits	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BBB+; Stable (12-Aug-20)	1)CARE BBB+; Stable (11-Jul-19)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (20-Mar-19)	1)CARE A-; Stable (12-Mar-18) 2)CARE A-; Stable (10-Apr-17)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	1)CARE BBB+; Stable / CARE A2 (12-Aug-20)	1)CARE BBB+; Stable / CARE A2 (11-Jul-19)	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (20-Mar-19)	1)CARE A-; Stable / CARE A2+ (12-Mar-18) 2)CARE A-; Stable / CARE A2+ (10-Apr-17)
3.	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	1)Withdrawn (12-Aug-20)	1)CARE A2 (11-Jul-19)	1)CARE A2; ISSUER NOT COOPERATING* (20-Mar-19)	1)CARE A2+ (12-Mar-18) 2)CARE A2+ (10-Apr-17)
4.	Fund-based - ST-Working Capital Limits	ST	-	-	1)CARE A2 (12-Aug-20)	1)CARE A2 (11-Jul-19)	1)CARE A2; ISSUER NOT COOPERATING* (20-Mar-19)	1)CARE A2+ (12-Mar-18)
5.	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB+; Stable (12-Aug-20)	1)CARE BBB+; Stable (11-Jul-19)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (20-Mar-19)	1)CARE A-; Stable (12-Mar-18)

** Issuer did not co-operate, based on best available information*

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Working Capital Limits	Simple
4.	Non-fund-based - LT/ ST-BG/LC	Simple

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 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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