Coral Gold Tiles Private Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	6.00	CARE BBB-; Stable	Assigned
Long-term bank facilities	25.41 (Enhanced from 25.34)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Coral Gold Tiles Private Limited (CGTPL) continues to derive strength from its experienced promoters and strong operational synergies with Prism Johnson Limited (PJL) and location advantage with presence in ceramic tile cluster of India. The rating also derives strength from moderate capital structure and debt coverage indicators which improved further in FY24 (audited, FY refers to period April 01 to March 31) and adequate liquidity.

However, the rating continues to remain constrained considering moderate scale of operations and profitability, profitability susceptible to volatility in prices of raw material and fuel and presence in the highly competitive ceramic tiles industry with fortunes linked to demand from the real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale of operations marked by total operating income (TOI) above ₹175 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of more than 11% on a sustained basis.
- Improving capital structure marked by overall gearing below 0.75x.

Negative factors

- Decreasing TOI below ₹100 crore or PBILDT margin below 5% on a sustained basis.
- Debt-funded capex resulting in deteriorating overall gearing to above 1.5x.
- Changing ownership structure leading to deteriorating financial risk profile.

Analytical approach: Standalone, and taking cognisance of its association with PJL in terms of joint ownership (50% stake of PJL) and operational support (off-take arrangement for sale of its ceramic tiles in the domestic market). Hence, standalone financials of CGTPL, and demonstrated operational support from the promoter, is considered for analysis purpose.

Outlook: Stable

The entity is expected to sustain its comfortable financial risk profile on back of agreement with PJL while moderate operating cycle and working capital utilisation shall support its liquidity profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and synergy derived from joint venture partner, PJL

CGTPL is a joint venture (JV) between Prism Johnson Ltd. (PJL) and Nesadiya, Dalsaniya, and Kasundra families. The company's promoters, Ketan Dalsaniya and Prabhulal Kasundra, have two decades of experience in ceramic industry. CGTPL leverages on the existing distribution network of PJL which has enabled the company to achieve its scale of operations. CGTPL's product is sold to PJL under the brand name 'Johnson' due to synergy derived from its JV partner. PJL has also appointed one personnel on the board of directors of CGTPL as a nominee director to look after the company's overall affairs. The nominee directors have also vast experience in ceramic industry by way of their engagement in other entities as well.

Location advantage due to presence in ceramic tile cluster

CGTPL's manufacturing facility is in Morbi (Gujarat), which is the largest ceramic cluster in India and second largest in the world. It provides advantage in terms of raw material procurement (clay and glaze frit from Gujarat and Rajasthan), fuel for firing of

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

kilns and skilled manpower. Moreover, city's proximity to major ports such as Kandla and Mundra, lowers down the transportation cost, helping the exporters of the region.

Moderate capital structure and debt coverage indicators

Capital structure improved although continued to remain moderate as marked by overall gearing at 1.04x as on March 31, 2024 as against 1.30x as on March 31, 2023. The improvement is due to scheduled repayment of term loan and accretion of profits to reserves. Debt coverage indicators improved, but remained moderate as marked by interest coverage and total debt to gross cash accruals (TDGCA) to 3.05x and 4.38 years, respectively, in FY24 as against 2.55x and 6.17 years in FY23.

Key weaknesses

Moderate scale of operation and profitability

Scale of operations as marked by the company's TOI remained moderate at ₹122.12 crore in FY24 as against ₹127.01 crore in FY23. The marginal decrease in TOI is owing to decline in average sales realisation from ₹205 in FY23 to ₹187 in FY24. However, profitability as marked by PBILDT margin improved to 8.91% in FY24 as against 6.79% in FY23 majorly due to reduction in power and fuel cost.

Profitability susceptible to volatility in raw material and fuel costs and foreign exchange fluctuations

The prices of key raw materials, clay and fuel, constitute a major part of the cost structure of an entity in the ceramic tile industry. Considering prices of both (clay and gas) are market driven, the company's inability to pass it on to its customers with a time lag may exert pressure on its profitability. CGTPL is also exposed to exchange rate fluctuation risk on its export.

Presence in the highly competitive ceramic tiles industry with fortunes linked to demand from real estate sector

The ceramic tile industry in India is highly competitive. Low entry barriers, easy availability of raw material, and limited initial capital investment requirement has attracted a large influx of regional and unorganised players. CGTPL faces competition from other established players in the organised markets. Hence, CGTPL's ability to grow its scale of operations with optimum utilisation of its manufacturing capacity in the light of competitive tile industry is of key importance. Moderation in demand from the end-user industry (real estate industry), which is strongly correlated with economic activities, has also impacted the demand of ceramic tiles in the past.

Liquidity: Adequate

CGTPL's liquidity position remained adequate marked by moderate utilisation of its working capital limits, moderate liquidity ratios, and operating cycle and improved cashflow from operations. The current ratio and quick ratio remained at 1.11x and 0.81x, respectively, as on March 31, 2024 (1.12x and 0.89x as on March 31, 2023). In FY23, CGTPL reported GCA of ₹6.26 crore as against repayment obligation of ₹3.87 crore in FY25. The cash flow from operations improved from ₹1.93 crore in FY23 to ₹10.70 crore in FY24 due to better realisation from debtors. The average utilisation of its fund-based WC limits remained around ~53% in the trailing 12 months ended on March 31, 2024. The operating cycle deteriorated from 59 days in FY23 to 70 days in FY24 due to early payment to its creditors.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer durables	Consumer durables	Ceramics

CGTPL was incorporated on November 01, 2007 by Ketan Dalsaniya and Prabhulal Kasundra. In 2014, CGTPL entered 50:50 JV with Prism Johnson Limited. CGTPL is manufacturing ceramic glazed wall tiles with an installed capacity of 73.92 lakh Sq. metre as on March 31, 2024. CGTPL operates from its manufacturing facility at Morbi, Gujarat. It sells wall tiles with a size of 12*18 inch, 7-mm thickness.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	127.01	122.12
PBILDT	8.62	10.89
PAT	2.00	3.35
Overall gearing (times)	1.30	1.04
Interest coverage (times)	2.55	3.05

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	19.00	CARE BBB-; Stable
Fund-based - LT-Term loan		-	-	07/01/2027	6.41	CARE BBB-; Stable
Non-fund-based - LT-Bank guarantee		-	-	-	6.00	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	6.41	CARE BBB-; Stable	-	1)CARE BBB-; Stable (25-May-23)	-	-
2	Fund-based - LT-Cash credit	LT	19.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (25-May-23)	-	-
3	Non-fund-based - LT-Bank guarantee	LT	6.00	CARE BBB-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - LT-Bank guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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