

## Agilis Vitrified Private Limited

July 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	91.23 (Reduced from 98.08)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	28.92	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Agilis Vitrified Private Limited (AVPL) continue to remain constrained on account of short track record of operations, leveraged capital structure and moderate debt coverage indicators. The ratings also factors susceptibility of profitability to volatile raw material and fuel price, direct linkage of highly competitive ceramic industry to the cyclical real estate sector and working capital intensive nature of operations.

The ratings, however, continue to derive strength from AVPL's experienced promoters with an established track record in the ceramic industry, strategic location of its tile manufacturing unit and growing scale of operations.

### Rating sensitivities: Factors likely to lead to rating actions:

#### Positive factors

- Improvement in profit before interest, lease, depreciation and tax (PBILDT) margin above 15% on sustained basis.
- Improvement in total operating income (TOI) above Rs. 250 crore on sustained basis.
- Improvement in capital structure marked by overall gearing below 1.50 times on sustained basis.

#### Negative factors

- Deterioration in capital structure leading to overall gearing of above 3.50 times on sustained basis.
- Increase in working capital intensity resulting in elongation of the working capital cycle to more than 120 days on sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that AVPL will continue to derive benefit from its experience promoters having long-track record of operations in ceramic industry.

### Detailed description of the key rating drivers:

#### Key weakness

##### Leveraged capital structure and moderate debt coverage indicators

The capital structure of AGPL remains leveraged marked by overall gearing of 2.74 times as on March 31, 2024 (FY23: 2.27 times) owing to back-to-back debt funded capex undertaken by AGPL. Its green field project with an installed capacity of 95,760 metric tonnes per annum (MTPA) commenced operations in June 2022. Furthermore, in October 2023, it undertook additional capex of around Rs. 60 crore to double its installed capacity which now stands at 1,91,520 MTPA as on March 31, 2024. This additional debt funded capex has led to further moderation in capital structure.

With the increase in the total debt, AVPL's debt coverage indicators remained moderate marked by interest coverage of 3.64 times for FY24 (Prov.) (FY23: 3.34 times) and TDGCA of 8.44 times (FY23: 6.73 times).

#### Short track record with presence in highly fragmented industry with fortunes linked to demand from real estate market

AVPL started the operation from June 2022 with FY24 was the first full year of operation. 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 large influx of unorganized and regional players in the industry. Moreover, the ceramic tile industry has strong linkages with the real estate industry, which, is cyclical in nature.

#### Susceptibility of profitability to volatility in prices of fuel and raw materials along with working capital intensive nature of operations:

Cost of major components i.e. raw materials (clay) and power & fuel cost (i.e. natural gas & propane) are market-driven and hence inability of the company to pass it on to its customers may exert pressure on the profitability of the company. Ceramic tile manufacturing sector is highly working capital intensive mainly due to long inventory holding period (due to vast product portfolio, better customer service and faster deliveries) and extension of elongated credit period to dealers/distributors.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key strengths

### Growth in scale of operation with moderate profitability

TOI of the company grew from Rs. 97 crore during 10M FY23 to Rs. 160 crore during FY24 on the back of scaling-up of operation supported by sales volume growth of around 47% offsetting the moderation in the sales realization by around 10% on a y-o-y basis.

AGPL has moderate profitability with PBILDT margin of 11.63% (FY23: 13.30%). Further with comparatively high depreciation and interest cost due to recently completed capex, Profit after tax (PAT) margin remained thin at 0.95% (FY23: 0.18%) with Gross cash accruals (GCA) of Rs. 13.21 crore (FY23: Rs. 9.16 crore) during FY24. The customer concentration risk remains low since the top 5 customers contributed 33% of the total sales for FY24 (FY23:31%).

### Experienced with established track record in the ceramic industry

AVPL is managed by promoters Mr. Yuvraj Pranjevanbhai Bhadaniya and Mr. Vipul Amarshibhai Rajpara, having vast experience in the ceramic tiles industry due to their association with other companies in the ceramic industry. Further, the promoters are suitably supported by experienced professionals in the daily operations of the company.

### Location advantage of being present in the ceramic tile hub with easy access to raw material, manpower, power and fuel

AVPL has its manufacturing unit in Morbi district in Rajkot city of Gujarat which is the largest ceramic cluster in India. Primary raw materials i.e. various types of clay and minerals are easily available from Rajasthan & Gujarat. For firing of kilns, AVPL uses natural gas supplied from Gujarat Gas Limited (GGL; rated CARE AAA; Stable / CARE A1+) and propane from various suppliers. Moreover, proximity of major ports (such as Kandla and Mundra) also lowers the transportation cost and facilitates timely export.

### Liquidity: Stretched

AVPL has stretched liquidity considering modest cash accruals against scheduled term debt repayment obligation. It is envisaged to generate GCA of around Rs.18-20 crore vis-à-vis repayment obligation of around Rs. 9-10 crore during FY25.

Ceramic tile business is working capital intensive and working capital intensity remains high due to the requirement of maintaining higher inventory levels (due to vast product portfolio, better customer service and faster deliveries) and extension of elongated credit period to dealers and distributors. The working capital cycle of AVPL has deteriorated from 39 days as on FY23 to 65 days in FY24 (Prov.) owing to increase in average collection period and inventory holding period. The average and maximum fund-based working capital utilisation remained around 54% and 61% respectively for the trailing twelve months ended on April 2024. Further, AVPL enhanced its fund based working capital limit by around Rs.10 crore from October 2023 which will provides cushion to its liquidity. It has current ratio and quick ratio of 1.29 times (FY23: 1.23 times) and 0.95 times (FY23 :0.90 times) respectively as on March 31, 2024. It has cash and bank balance of Rs. 1.70 crore as on March 31, 2024 (Prov.).

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Ceramics

Morbi-based, Agilis Vitrified Private limited (AVPL) was incorporated on 23rd April 2021 as a greenfield project for manufacturing of glazed vitrified tiles. The commercial production commenced from June 2022. The manufacturing facility is located at Morbi,

Gujarat with existing installed capacity of 191520 metric tonne per annum (enhanced from 95760 metric tonne per annum) considering production of 600\*1200mm tiles with 8MM and 9MM width.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	96.58	160.49
PBILDT	12.84	18.67
PAT	0.18	1.53
Overall gearing (times)	2.27	2.74
Interest coverage (times)	3.34	3.64

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

**Status of non-cooperation with previous CRA:** Brickworks vide its PR dated April 24,2024 has continued the rating of AVPL under INC category on basis of non-receipt of information.

**Any other information:** None

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Oct-2029	81.23	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	25.00	CARE BB; Stable / CARE A4
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	3.92	CARE BB; Stable / CARE A4
Non-fund-based - LT-Bank Guarantee	-	-	-	-	10.00	CARE BB; Stable

#### Annexure-2: Rating history for the 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/ ST-Cash Credit	LT/ST	25.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (04-Mar-24)  2)CARE BB; Stable / CARE A4	-	-

						(21-Jun-23)		
2	Non-fund-based - LT-Bank Guarantee	LT	10.00	CARE BB; Stable	-	1)CARE BB; Stable (04-Mar-24) 2)CARE BB; Stable (21-Jun-23)	-	-
3	Fund-based - LT-Term Loan	LT	81.23	CARE BB; Stable	-	1)CARE BB; Stable (04-Mar-24) 2)CARE BB; Stable (21-Jun-23)	-	-
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	3.92	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (04-Mar-24) 2)CARE BB; Stable / CARE A4 (21-Jun-23)	-	-

LT: Long term; LT/ST: Long term/Short term

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

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	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 the complexity levels of the 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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