Orinda Industries LLP

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	87.80	CARE BB+; Stable	Assigned
Short Term Bank Facilities	9.15	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Orinda Industries LLP (OIL) remains constrained on the account of moderate scale of operations and profitability along with moderate capital structure and debt coverage indicators. The ratings also remain constrained on account of project stabilization risk with recently completed debt funded capex, susceptibility of operating margin to volatility in the raw material as well as fuel costs, presence in a highly competitive ceramic industry with fortunes linked to demand from cyclical real estate sector and limited liability partnership nature of constitution. The ratings, however, derive strength from experienced promoters, strategically located manufacturing unit, accessibility of existing selling & distribution network of the associate companies and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations marked by total operating income (TOI) above Rs.200 crore with PBILDT margin of more than 10% on sustained basis.
- Improvement in overall gearing ratio to below 1.25 times along with improvement in debt coverage indicators marked by total debt to GCA (TDGCA) below 5 times on sustained basis.

Negative factors

- Decline in scale of operations by more than 20% along with dip in PBILDT margin below 7%
- Deterioration in gearing ratio to more than 2 times
- Elongation in operating cycle above 90 days

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that entity will sustain its overall financial risk profile and continue to benefit from experience of promoters in ceramic industry along with location advantage with presence in Morbi region, Gujarat.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations and profitability

OIL is engaged in manufacturing of glazed vitrified tiles (GVT) and polished glazed vitrified tiles (PGVT) and commenced operations from unit-1 from January 2022, hence, FY23 was the first full year of operations. During FY24, OIL registered TOI of Rs. 127.95 crore as against Rs.93.73 crore during FY23 with growth of 37% primarily on account of increase in sales volume and realization. Further, during H1FY25, OIL has reported TOI of Rs.52.71 crore. Profitability remained moderate marked by PBILDT margin of 9.78% in FY24 as against 11.71% in FY23 owing to increase in cost of raw material and wages. OIL reported PAT margin at 2.58% in FY24 as against 0.89% in FY23. PAT was lower in FY23 due to lower scale being first full year of operations along with relatively higher depreciation and interest costs.

Moderate capital structure and debt coverage indicators

The capital structure of OIL remained moderate marked by overall gearing at 1.66x as on March 31, 2024, as against 1.12x as on March 31, 2023, owing to increase in total debt with infusion of unsecured loans for their new project and higher utilization of working capital limits. The debt coverage metrics improved and remained moderate marked by interest coverage ratio of 3.63x

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

during FY24 (FY23: 3.26x) mainly due to improved operating profits during FY24. Total debt to GCA (TDGCA) deteriorated to 5.51 years for FY24 (FY23: 3.96 years) where deterioration is mainly on account of increased debt level in FY24.

Susceptibility of profit margins to volatility in raw material and fuel costs
Prices of raw material i.e. clay, and feldspar is market driven and puts pressure on the margins of tile manufacturers in case of volatility into the same. Another major cost component is fuel expense in the form of gas to fire the furnace. The profitability of OIL is also exposed to volatile Natural gas prices, mainly on account of its linkages with the international demand-supply of natural gas along. Hence any adverse movement in material and fuel prices shall impact the profitability of the entity. The margins of the entity are higher than those in the industry due to the size of tiles manufactured. The tiles are currently exported to Vietnam, Dubai and Russia.

Presence in a highly competitive ceramic industry with fortunes linked to demand from cyclical 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 unorganized and regional players. Hence, OIL's ability to scale up its operations and achieve healthy capacity utilization levels in the light of the competitive tile industry would be crucial. Further, demand for the tiles comes from the real estate industry, which, in India is highly fragmented and cyclical. The real estate industry is also highly sensitive to interest rates and liquidity position in the market. Thus, any negative impact on the real estate industry will adversely affect the prospects of ceramic tiles industry as well as the entity. The sustainability of the growth, domestically as well as export remains a key monitorable going forward.

Limited Liability Partnership nature of constitution
Being a limited liability partnership, OIL is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency, and firm being dissolved upon the death/retirement/insolvency of partners which may affect financial flexibility of the firm.

Stabilization risk with recently completed debt funded capex
OIL completed new unit within same premises for manufacturing 1200 X 1200 and 1200 x 1800 size tiles with total project costs of ~Rs.62 crore. OIL has successfully completed project with total project costs of Rs.62 crore and commenced commercial operations from September 2024. The stabilization of the said project and achieving envisaged revenue and profitability remains key rating monitorable. Loan repayment will start in June 2025.

Key strengths

Experienced management
OIL is backed by five promoters: Mr. Jaysukh Soriya, Mr. Balvant Soriya, Mr. Hardik Soriya, Mr. Nirmal Soriya, and Mr. Anil Patel. Jaysukh and Balvant Soriya have been partners at Nehani Tiles Private Limited and Orinda Granito LLP since 2013, giving them over a decade of industry experience. Additionally, Hardik Soriya is also a partner in both Aminisha Organics LLP and Orinda Wood Tech LLP.

Strategically located manufacturing unit
The manufacturing facility of OIL is located in Morbi-Gujarat which is India's largest cluster of ceramic tile makers. The major raw materials include Clay, Feldspar, Frits, China clay, Pebbles, etc. OIL has an added advantage of easy availability of raw materials owing to its presence in ceramic cluster. It also enjoys benefits in terms of road and rail connectivity as well as easy availability of labour.

Accessibility of existing selling & distribution network of the associate companies
The promoters bring extensive experience in the ceramic industry through their association with other group entities. These entities are engaged into manufacturing of glazed vitrified tiles (GVT) and Polished Glazed Vitrified Tiles (PGVT) of different sizes. OIL benefits from a robust customer base, leveraging the well-established sales and distribution networks of its affiliated companies, Nehani Tiles Private Limited and Orinda Granito LLP, which operate globally.

Liquidity: Adequate

OIL's liquidity position remained adequate marked by liquidity cushion in the form of working capital limit of Rs 20 crore whose average utilization remained at 47% during trailing 12-month period ending in July 2024. During FY24, OIL reported sufficient cash accruals of Rs.9.43 crore as against debt repayment obligations of ~Rs.3.50 to 4.00 crore arising in FY25. Further, current ratio and quick ratio remained at 1.52x and 1.12x as on March 31, 2024, respectively. Operating cycle remained comfortable at 58 days in FY24. Cash and bank balance remained at Rs.3.30 crore as on March 31, 2024.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Ceramics

Morbi-Rajkot (Gujarat) based Orinda Industries LLP (OIL) is incorporated in 2017 by Mr. Jaysukh Soriya and Mr. Balvant Soriya. OIL is engaged in manufacturing of glazed vitrified tiles (GVT) and polished glazed vitrified tiles (PGVT) of 800*1600 size and commenced operations from first unit from January 2022, hence, FY23 was the first full year of operations. It sells tiles under the brand name of 'Orinda' and 'Oragress'. Further, the entity initiated a new unit to manufacture tiles of 1200*1800 size and 1200*1200. The commercial operations for the second unit started from beginning of September 2024. OIL operates from its sole manufacturing facility located at Morbi, Gujarat with total installed capacity of 1,50,000 MTPA. Tiles are mainly used for floors, walls, basins, etc. for both houses and malls.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	93.73	127.95
PBILDT	10.97	12.51
PAT	0.83	3.30
Overall gearing (times)	1.12	1.66
Interest coverage (times)	3.26	3.63

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	31/05/2032	57.80	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	9.15	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 (₹ 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	57.80	CARE BB+; Stable				
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable				
3	Non-fund-based - ST-Bank Guarantee	ST	9.15	CARE A4+				

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 - ST- 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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Sajni Shah Assistant Director **CARE Ratings Limited** Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in Nandini Bisani Rating Analyst **CARE Ratings Limited** E-mail: Nandini.Bisani@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in