

Hi Design

December 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1

*Issuer did not cooperate; based on best available information.

Rationale and Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Hi Design to monitor the rating vide e-mail communications dated October 14, 2024, December 2, 2024 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Hi Design's bank facilities will now be denoted as **CARE BB- Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-submission of information required for credit rating despite repeated requests. The rating continues to be constrained by the moderate scale and geographically concentrated operations, moderate capital structure, partnership nature of business with the inherent risk of withdrawal of capital and presence in the highly competitive industry. The rating, however derives strength from vast experience of the promoters with established relationship with customers and suppliers.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on November 24, 2023 the following were the rating strengths and weaknesses:

Key weaknesses

Moderate scale and geographically concentrated operations

The firm has its business operations concentrated in a single state, Kerala. It runs 8 showrooms located at Malappuram (4), Palakkad (2), Ernakulam (1) and Calicut (1) and a centralized warehouse of 50,000 sq.ft at Malappuram. The scale of operations of the firm stood moderate with operating income of Rs. 76.58 crore, albeit grown at the CAGR of 16% over the past three years ended FY23.

Constitution of the entity as partnership with inherent risk of withdrawal of capital

The partnership nature of business has an inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. During FY22, the partners have infused capital of around Rs. 3.32 crore however during FY23, the partners have withdrawn capital of Rs.32 lakhs.

Moderate capital structure and weak debt protection metrics

The capital structure of the firm stood leveraged with overall gearing of 2.65x (PY: 1.70x) as on March 31, 2023 due to the working capital intensive nature of operations. Due to thin accruals on account of trading nature of operations, the debt coverage metrics stood weak with Total debt/ GCA of 14.84x as on March 31, 2023 (PY: 11.42x).

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

The ceramic industry is highly competitive and fragmented with the presence of numerous organized as well as unorganized players manufacturing a homogenous product profile i.e., Glazed Vitrified Tiles for domestic and international markets. Low entry barriers, easy availability of raw material and limited initial capital investment requirement has attracted a large influx of regional and unorganized players. The ceramic tile industry has strong linkages with the real estate industry, which, in India is highly fragmented and cyclical. The industry is marked by increased spending on infrastructure by Government,

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

rapid urbanization, and consumer preference shift which in turn is promoting the demand for ceramic tiles in residential and commercial buildings across the country. The PBILDT margin of Hi Design had declined over the past two years from 6.37% in FY21 to 4.68% in FY23 due to the high competition.

Key strengths

Vast experience of the promoters

Hi Design was promoted by Mr. Muhammed Musthafa and his brother Mr. Faisal. It is part of 'Silvan Group' which is engaged in various businesses including Silvan Light Gallery, Asarva tiles, Silvano Interiors and Baby Vita, a kids food brand. Muhammed Musthafa started his career in the tiles and ceramics industry, working for various companies. The promoters have over a decade of experience in the business of selling electronics, other construction materials and tiles, having an established relationship with manufacturers in the ceramics industry.

Established relationship with suppliers and customers

The vast experience of the promoters enabled to maintain a well-established relationship with various suppliers like Sunshine Tiles Co Private Limited (CARE A-; Stable/ CARE A2+), Kajaria Ceramics Limited (ICRA AA; Positive/ ICRA A1+), Somany Ceramics Limited (CRISIL AA-; Stable/ CRISIL A1+), Gitse Enterprises, KAG Granito LLP (CARE BB; Negative/ CARE A4), etc and a diversified customer base. The top-5 customers contributed 1.34% (PY: 1.07%) of income in FY23 while the top-5 suppliers contributed to 25.23% (PY: 47%) of purchases in FY23.

Liquidity: Stretched

Liquidity is stretched by tightly marked accruals of Rs. 1.55 crore in FY23 against repayment obligations of Rs.0.72 crore for FY24. The firm also has a moderate cash balance of Rs. 0.48 crore as on March 31, 2023. The working capital utilization stood high at above 95% for the last 12 months ended in October 2023 on account of higher inventory days of 115-125 days over past three years ended FY23. However, the firm had been able to reduce the collection period over the years from 78 days in FY21 to 25 days in FY23.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks – Not applicable

Applicable Criteria

[Policy in respect of non-cooperation by issuers](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

[Retail](#)

About the company and industry

Industry Classification

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

Hi design is a partnership firm incorporated in the year 2016 and is part of 'Silvan Group' which is engaged in various businesses including Silvan Light Gallery, Asarva tiles, Silvano Interiors and Baby Vita, a kids food brand. The firm is based out of Malappuram, Kerala and is engaged in the trading of tiles under the brand name of "Silvan Tiles Gallery". The overall management is carried out by the partners, Mr. Faizal KP, Mr. Saidalikutty VP, Mr. Shuhaib VP, Mr. Mohammed Musthafa and Mr. Muhamed Sabeer. The firm has 8 showrooms in and around Kerala and a warehouse at Malappuram.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	7MFY24 (P)
Total operating income	65.00	76.58	60.00
PBILDT	2.99	3.58	3.50
PAT	0.39	0.59	NA
Overall gearing (times)	1.70	2.65	NA
Interest coverage (times)	2.00	2.10	NA

A: Audited; P: Provisional; NA: Not Available; 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: Please refer Annexure-2

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		-	-	-	26.91	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	October 2026	3.09	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of 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	3.09	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (24-Nov-23)	-	-
2	Fund-based - LT-Cash Credit	LT	26.91	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (24-Nov-23)	-	-

*Issuer did not cooperate; Based on best available information

LT: Long term

Annexure 3: Complexity level of various instruments rated for this company Not applicable

Annexure 4: Note on complexity levels of the rated instrument:

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

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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About us:

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