

Alfa Ica (India) Limited

December 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	12.00	CARE BBB; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	0.30	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Alfa Ica (India) Limited (AIIL) continue to derive strength from its experienced management and established track record of operations, comfortable capital structure in absence of external long-term debt along with moderate debt coverage indicators in FY24 (refers to the period from April 1 to March 31) as well as H1FY25 (Unaudited) and adequate liquidity.

The ratings, however, continue to remain constrained on account of its modest scale of operations and moderate profitability coupled with working capital-intensive nature of its operations. The ratings further continue to remain constrained due to susceptibility of AIIL's profit margins to volatility in its raw materials prices as well as exposure to foreign exchange fluctuation risk along with its presence in a highly fragmented and competitive laminate industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations with increase in PBILDT margin to more than 10% on sustained basis
- Improvement in capital structure along with augmentation of network base to more than Rs.75 crore

Negative factors

- Significant decline in total operating income or profitability
- Elongation of operating cycle to more than 150 days
- Deterioration of overall gearing to more than 1.00x

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity shall continue to benefit from its experienced promoters and established brand name in the laminate industry over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced management

Mr. Rishi Tikmani and Ms. Pooja Tikmani (Executive Directors of the company) hold experience of more than a decade in the same line of business, while the company has an overall operational track record of more than two and a half decades. Due to established presence of AIIL in laminate business, it has developed good relationship with its customers and suppliers.

Comfortable capital structure on a modest network base

As on March 31, 2024, capital structure of AIIL continued to remain comfortable marked by overall gearing of 0.34x (0.40x as on March 31, 2023). The company did not have any long-term debt with scheduled repayment. Furthermore, tangible net worth remained modest at Rs.26.78 crore as on March 31, 2024 [PY: Rs.25.09 crore]. Capital structure continued to remain comfortable in current year as well with overall gearing of 0.47x at H1FY25 end.

Debt coverage indicators remained moderate marked by PBILDT interest coverage of 2.97x in FY24 (2.83x in FY23). It continued to remain moderate in H1FY25 with PBILDT interest coverage of 2.92x.

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

Key weaknesses

Modest scale of operations and moderate profitability

During FY24, AIIL's total operating income grew by ~6% Y-o-Y and remained modest at Rs.69.30 crore as compared to Rs.65.18 crore in FY23 owing to marginal increase in sales volume and sales realization. In H1FY25, AIIL reported TOI of Rs.38.12 crore [PY: Rs.34.11 crore]. Exports constituted major portion of sales with it forming 77% of gross sales in FY24 (75% in FY23). AIIL exports mainly to U.K., Russia, Australia, New Zealand, Israel, Dubai and Singapore.

Operating profitability of AIIL marked by its PBILDT margin remained stable at 7.01% [PY: 7.08%] in FY24. Raw material is the major cost and it primarily includes kraft & design paper along with formaldehyde and melamine. In H1FY25, profitability of AIIL reported PBILDT margin of 7.27% [6.65% H1FY24]. AIIL is expected to make provision against receivables of Rs.2.67 crore in current year (wherein the customer has gone into liquidation) which is expected to result in moderation in profitability in FY25. However, the same is not expected to impact the liquidity of the company.

Working capital intensive operations

Laminate business is working capital intensive in nature because products are made of different types of papers, wide variety of colours and chemicals which necessitates significant investment in raw material inventory. Further, majority of the papers are imported which have lead time ranging from 2 months to 6 months from the date of placement of order. Hence, to take care of customer's specific requirement in a timely manner, company has to keep raw material (mainly papers) readily available at their site which increases raw material inventory of the company. During FY24, operating cycle of the company reduced to 111 days (P.Y: 128 days) on the back of lower collection period days of 46 days (P.Y: 57 days) while inventory period remained elongated at 93 days (P.Y: 104 days).

Susceptibility of profit margin to volatility in raw material price and foreign exchange rate fluctuation

Major raw materials for the company include, design papers, kraft papers, printed papers, melamine and formaldehyde. Price of its key raw materials exhibit volatility rendering its profitability susceptible to raw material price volatility. The company imports kraft & design papers and melamine. Imports constituted ~40% of the total raw material cost of the company during last three years ended FY24. Furthermore, AIIL primarily caters to the overseas market and exports stood at Rs.51.61 crore i.e. ~77% of gross sales in FY24 (FY23: ~75%). The company is a net exporter and hence does not follow any active hedging policy. During FY24, AIIL reported net forex gain of Rs.0.81 crore as against net forex gain of Rs.0.54 crore in FY23.

Liquidity: Adequate

Liquidity of AIIL continued to remain adequate marked by moderate utilization of its working capital limit and moderate CFO against nil scheduled debt repayment. Average utilization of fund based working capital limit in previous twelve months ended in October 2024 remained moderate at ~57% [PY: ~52% in trailing twelve months ended in October 2023]. Additionally, Cash flow from operations remained positive at Rs. 5.30 crore in FY24.

AIIL had outstanding receivables of around Rs.2.68 crore from UK based International Decorative Surfaces. The company has closed operations and is under administration (insolvency process). Recovery attempts of these receivables are on-going (co. has already sent notice for recovery of dues) and it is expected that the company shall create partial provision for the same in FY25.

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	Plywood Boards/ Laminates

Promoted by Mr. Rajendra Tikmani, Ahmedabad-based (Gujarat) AIIL (CIN: L20100GJ1991PLC016763) was incorporated in 1991 and presently the company is being managed by Mr.Rishi Tikmani and Ms Pooja Tikmani, second generation of Tikmani family. AIIL is engaged in manufacturing commercial grade decorative laminate sheets which are used in furniture & fixtures. AIIL caters

primarily to overseas market with more than 70% of sales from exports. The company is selling the laminates under the brand name of 'Alfaica'. AIIL has established two units in Sanand for the manufacturing of laminates and has installed capacity of 21 lakh sheets per annum as on March 31, 2024. AIIL has ISO 9001:2000 certification for management system as well as ISO 14001:2004 certification for environmental management system and AIIL is a recognized star export house by the Govt. of India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	65.18	69.30	38.12
PBILDT	4.62	4.86	2.77
PAT	1.46	1.68	0.90
Overall gearing (times)	0.40	0.34	0.47
Interest coverage (times)	2.83	2.97	2.92

A: Audited UA: Unaudited; 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/ST-CC/Packing Credit		-	-	-	12.00	CARE BBB; Stable / CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	0.30	CARE A3

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/ST-CC/Packing Credit	LT/ST	12.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (04-Jan-24)	1)CARE BBB; Stable / CARE A3 (30-Dec-22)	1)CARE BBB; Stable / CARE A3 (28-Dec-21)
2	Non-fund-based - ST-Letter of credit	ST	0.30	CARE A3	-	1)CARE A3 (04-Jan-24)	1)CARE A3 (30-Dec-22)	1)CARE A3 (28-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/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/ ST-CC/Packing Credit	Simple
2	Non-fund-based - ST-Letter of credit	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.

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About us:

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