

Rating Rationale

Brickwork Ratings Upgrades the long term ratings from BWR B to 'BWR B+' & Reaffirms the short term ratings for Bank Loan Facilities aggregating ₹5.05 Cr of Sipoc Ceramics

Brickwork Ratings *upgrades* the long term **Rating¹** from BWR B to 'BWR B+' & *reaffirms* the short term ratings for Bank Loan Facilities aggregating ₹5.05 Cr of Sipoc Ceramics (**or the firm**) availed from Punjab National Bank as

Facility	Previous Limits(₹Cr) (Feb -2014)	Present Limits(₹ Cr) (Nov -2015)	Tenure	Ratings History (Feb -2014)	Ratings (Nov -2015)
Term Loan	3.35	1.75	Long Term	BWR B (Pronounced BWR Single B)	BWR B+ (Pronounced BWR B Plus)
Cash Credit	2.50	2.50		Outlook:Stable	Outlook: Stable
Bank Guarantee	0.80	0.80	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
Total	6.65	5.05	INR Five Crore and Five Lakhs Only		

BWR has principally relied upon the audited financial statements of FY13, FY14, FY15, projections of FY16 & FY17 publicly available information and information / clarifications provided by the firms' management.

The rating has factored, inter alia, growth in profitability and revenue, reduced gearing, widespread distribution network and experience of the promoters. However the rating is constrained by stretched conversion cycle, high competition in the industry and inherent risks of the firm's constitution.

Background:

Sipoc Ceramics was established in 2011 as partnership firm. The firm has its office and manufacturing unit at Morbi in Gujarat. The firm is engaged in manufacturing of ceramic wall tiles with the capacity of 50,000 sq.ft. per day. The products of the firm are widely used in various segments such as Domestic, Hotels, Industries, Hospital. The firm has network of more than 200 dealers/distributors across India. It also caters to Middle-eastern countries clientele.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management-Profile:

The key management of the firm comprises Mr. Pravin Patel and Mr. Rajiv Patel. Mr. Pravin Patel, partner and has vast experience in the manufacturing of ceramic wall tiles industry. He looks after the day to day manufacturing activity of firm. Mr. Rajiv Patel, partner has vast experience in the trading segment.

Financial-Performance:

The firm's revenue have increased by ~24% from Rs.11.06 Cr in FY14 to Rs.13.76 Cr in FY15 an increase of 24.41%. The firm is gradually expanding its business with increase in exports to ~10% of its revenues during FY15. The firm has received an interest subsidy of Rs.0.19 Cr in FY15 as compared to Rs.0.07 Cr in FY14. The operating profits increased from Rs.1.58 Cr in FY14 to Rs.1.74 Cr in FY15. The net profit margin stands improved from 0.18 % in FY14 to 1.01% in FY15. The partners have infused funds in the firm and increased the share capital from Rs.2.86 Cr in FY14 to Rs.3.76 Cr in FY15. The gearing has reduced from 2.36 times in FY14 to 1.75 times in FY15. The firm's average inventory days are on the higher side which is mostly to meet its clientele's specific requirements. The conversion days needs to be further controlled so as to have efficient working capital management. The declining interest service coverage ratio needs to be strengthened with further improvement in its profitability.

Rating-Outlook:

The outlook for the firm for the next one year is expected to be stable. Going forward the firm's ability to effectively manage its working capital, improve the coverage ratios and profitability along with the scale of operations will remain the key rating sensitivities.

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