



## Rating Rationale

### Armano Vitrified LLP

22 Jan 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Armano Vitrified LLP. ('AVLLP' or 'The Firm')

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Cash Credit Term Loan	9.00 22.00	9.00 22.00	Long Term	<b>BWR BB-</b> (Pronounced as BWR double B Minus) <b>(Outlook:Stable)</b>	<b>BWR BB-</b> (Pronounced as BWR double B Minus) <b>(Outlook:Stable)</b> Reaffirmed
Bank Guarantee	3.00	3.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A4</b> (Pronounced as BWR A Four) Reaffirmed
<b>Total</b>	<b>34.00</b>	<b>Rs. 34.00 Crs (Rupees Thirty Four Crores Only)</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Long term and Short term ratings Reaffirmed.

BWR has essentially relied upon the firm's audited financial results up to FY17, projections up to FY22, publicly available information and clarifications/information provided by the partners.

### Rationale/Rating Sensitivities:

The rating draws strength from the extensive experience of the partners and location advantages in terms of skilled/unskilled labour and raw material availability. The rating also considers that the project was



executed without any time or cost over-run; the company has achieved COD in March 2017, a month prior to the estimated COD. Overall performance of the firm is in line with the projections/estimates.

The ratings are however, constrained by the vulnerability of margins to forex fluctuations to the extent of unhedged positions and the stiff competition faced by the firm from numerous such players in the unorganized sector, located in and around the ceramic hub, Morbi. The rating also takes into account growing share of organized sector at the expense of the unorganized sector and that the GST may result in lowering of tariff differential between the organized and unorganized players.

Going forward ability of the firm to manage its working capital efficiently, to achieve the projected growth, to improve the customer base and profitability will be the key rating sensitivities.

#### **Key Rating Drivers:**

Extensive experience of partners: The partners have an extensive experience in the business as they are involved in similar line of activity since last many years.

The project was executed without any time or cost over-run. The unit has achieved COD in March 2017 a month prior to the estimated COD. The projections indicated FY18 as the first full year of operations, whereas the unit operated for one month in FY17 recording a TOI of Rs. 0.11 Crs. The firm has recorded a revenue of Rs. 22.13 Crs for 9MFY18 (Provisional).

The firm enjoys locational advantages in terms of skilled/unskilled labour and raw material availability. The margins are vulnerable to forex fluctuations to the extent of unhedged positions.

The firm faces competition from numerous similar existing/coming up players in and around Morbi. Substantial capacity addition by the new/existing players may result in overcrowding, with supply far outstripping the demand. GST may result in lowering of tariff differential between organized and unorganized players, thus eliminating a major advantage to the unorganised sector.

#### **Rating Outlook: Stable**

BWR believes the **Armano Vitrified LLP**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



### About the Firm

Armano Vitrified LLP was incorporated on 11.05.2016 as a limited liability partnership firm and is engaged in manufacturing of ceramic twin charge vitrified tiles with an installed capacity of 76500 MTPA. The firm's registered office and manufacturing facility is located Morbi (Gujarat).

### Firm Financial Performance

The firm has recorded a total operating income of Rs. 0.11 Crs for one month of working in FY17. Tangible net worth of the company stood at Rs. 13.20 Crs as at 31.03.2017.

For the nine months period ended Dec 2017, the firm has recorded revenues of Rs. 22.13 Crs (Provisional).

<b>Key Financial Figures</b>			
<b>Particulars</b>	<b>Unit</b>	<b>FY17 (Audited)</b>	<b>FY18 (Estimated)</b>
Operating Income	Rs. Crores	0.11	61.08
EBITDA	Rs. Crores	0.00	11.69
PAT	Rs. Crores	-2.96	1.96
Tangible Networth	Rs. Crores	13.20	16.68
Total Debt	Rs. Crores	28.58	33.56
Total Debt : Equity	Times	2.17	2.01
Current Ratio	Times	1.61	1.33

**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History			
		Type	Amount (Rs Crs)	Rating	19 Oct 2016		Date in 2015	Date in 2014
					Amount (Rs Crs)	Rating		
1	Fund Based Limit	Long Term	31.00	BWR BB- (Pronounced as BWR double B Minus) (Outlook:Stable) Reaffirmed	31.00	BWR BB- (Pronounced as BWR double B Minus) (Outlook:Stable)	-	-
2	Non Fund Based Limit	Short Term	3.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	3.00	BWR A4 (Pronounced as BWR A Four)	-	-
Total : Rs. 34.00 Crs (Rupees Thirty Four Crores Only)								

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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### **Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### **DISCLAIMER**

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