



Rating Rationale

Astonia Ceramic Pvt Ltd

August 23, 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 12.40 Crs of Astonia Ceramic Pvt. Ltd. (ACPL)

Particulars:

Facilities Rated [#]	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	11.50	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook: Stable)
Cash Credit	4.50		
Term Loan	7.00		
Non-Fund Based	0.90	Short Term	BWR A4 (Pronounced as BWR A Four)
Bank Guarantee	0.90		
Total	12.40	INR 12.40 Crs (INR Twelve Crores and Forty Lakhs Only)	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the projections made and submitted to bank for appraisal of the project, publicly available information and information/clarifications provided by the company's management.

The rating takes in to account the extensive experience of the promoters in ceramic industry. The promoters are engaged in running similar units at Morbi and have an established selling and distribution network in place. The unit is proposed to be located at Morbi, Gujarat, and a hub for ceramic industry with easy access to skilled labour, raw materials and maintenance infrastructure.

The rating are, however, constrained on account of inherent risks associated with a Greenfield project. The company would face intense competition from numerous small players in the unorganized sector, particularly those centred in and around Morbi. Profitability continues to be susceptible to volatility in prices of natural gas & key raw materials as well as demand from cyclical real estate sector.

The ability of the company to complete the project without any time or cost overrun would be the key rating sensitivity.



Analytical Approach: BWR has factored in the projections provided to the lenders. Rating criteria used has been mentioned in the hyperlinks given below for reference.

Key Rating Drivers:

Risk associated with a Greenfield project: The Company is exposed to inherent risks associated with a Greenfield project. The risk is mitigated to the extent that the financial closure has been achieved, with lenders having sanctioned Rs.12.40 Crs (inclusive of a WC limit of Rs 4.50 Crs) for the project, the execution has commenced with land having been acquired, building construction commenced and P&M orders placed. About 27% of project cost has been incurred till 19th July 2017. The performance estimates made by the company and accepted by the lenders are satisfactory.

Susceptibility of profitability to volatility in prices of raw materials and fuel: Prices of raw material i.e clay and feldspar are market driven and expected to put pressure on margins of tile manufacturers. Another major component is fuel expense in the form of LNG which is required to fire the furnace. The profitability of ACPL would be exposed to volatile LNG prices, mainly on account of its linkages with international demand-supply position of natural gas. Hence ACPL's ability to control its cost structure would be crucial going forward especially in light of a competitive environment.

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 materials and limited initial capital requirement has attracted large influx of regional and unorganized players. ACPL also faces direct competition from the organized players having better brand visibility. Hence ACPL's ability to grow its scale of operations with optimum utilization of its manufacturing capacity in the light of competitive vitrified industry and subdued demand from real estate sector, currently, is a key factor.

Extensive experience of promoters in ceramic tile industry: The promoters have an extensive experience in the ceramic tile industry and are engaged in running similar ceramic units.

Location Advantage: The Company is located at one of the largest ceramic clusters in India i.e Morbi, Gujarat. Over 70% of total ceramic tiles production in India comes from Morbi cluster where more than 600 units are engaged in manufacturing of wall tiles, vitrified tiles and other ceramic products. Skilled labour and other infrastructural facilities are available locally.

Rating Outlook: Stable

BWR believes that **Astonia Ceramic Pvt Ltd'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 there is no cost or time overrun and the operations turn out to be as per the estimates. The rating outlook may be revised to 'Negative' if the COD is delayed or there is a cost overrun and the performance is not as per the projections made.



About the Company:

M/s. Astonia Ceramic Pvt. Ltd was incorporated on 17/03/2017 and proposes to establish the wall tiles manufacturing unit at Bela Rangpar, S.No. 561/2, Morbi, Gujarat. The proposed installed capacity is 32760 MTPA of ceramic wall tiles. The unit has planned to start production from the first week of Oct-2017.

The total cost of project is estimated 14.00 Crs which is proposed to be funded by a term loan of 7.00 Crs, capital of 5.00 Crores and unsecured loans of Rs 2.00 Crs. As on 13th July 2017, the company has incurred a cost of Rs 3.68 Crs which is funded by share capital of Rs 3.01 Crs, unsecured loans of Rs 0.65 Crs and creditors for goods of Rs 0.02 Crs.

Company's Financial Performance:

Key Financial Figures			
Particulars	Unit	FY16	FY17
Operating Income	Rs. Crores	N.A	N.A
EBITDA	Rs. Crores	N.A	N.A
PAT	Rs. Crores	N.A	N.A
Tangible Networth	Rs. Crores	N.A	N.A
TOL :TNW	Times	N.A	N.A
Current Ratio	Times	N.A	N.A

Rating History for the last three years:

Sl. No.	Facility	Current Rating (July 2017)			Rating History		
		Type	Amount(Rs Crs)	Rating	2016	2015	2014
Fund Based			11.50				
1.	Cash Credit	Long Term	4.50	BWR BB-	NA	NA	NA
2.	Term Loan		7.00				
Non Fund Based			0.90				
1.	Bank Guarantee	Short Term	0.90	BWR A4	NA	NA	NA



Hyperlink/Reference to Applicable Criteria:

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

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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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.

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