Rating Rationale

Blue Lake Ceramic

23 Oct 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 5.50 Crores of Blue Lake Ceramic.(BLC)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2015)	Present
Fund Based Cash Credit Term Loan-I Term Loan-II Discounting of bills backed by ILCs	 2.50 2.79 0.6 Nil	 2.50 Nil Nil 3.00	**Long Term**	**BWR B+ (Pronounced as BWR single B plus)** Outlook: Stable	**BWR BB- (Pronounced as BWR double B Minus)** Outlook: Stable (Upgraded)
Non Fund Based Bank Guarantee	0.90	Nil	**Short Term**	**BWR A4 (Pronounced as BWR A four)**	**Reaffirmation of BWR A4 and simultaneous withdrawal of rating BWR A4**
Total	**7.89**	**5.50**	**INR Five Crores and Fifty lakhs Only**		

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

The firm has not provided projected financials of FY19-20 etc- Bank informs renewal of working capital limit is in process since expired on 22.2.2018

Ratings: Long term rating Upgraded and short term rating reaffirmed and simultaneously withdrawn

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Blue Lake Ceramic up to FY18 and publicly available information and information/clarifications provided by the management.

The rating derives comfort from the experience of partners in ceramic tiles industry, increased operating income, improvement in net profit margin, moderate gearing . The rating is however constrained by Small scale of operations, decline in operating profit margin, inherent risk , foreign currency price risk , and competitive nature of industry.

Going forward, the firm's ability to enhance sales, profits and profitability margins, to infuse own funds and manage its working capital efficiently will be the key rating sensitivities

Description of Key Rating Drivers

Credit Strengths:
Two of the partners have experience of a decade, operating income has improved to Rs. 54.10 crs in FY18 over Rs. 35.89 crs in FY17. Net profit margin has improved from 1.33% in FY17 to 1.82%. Gearing with outside liability is at 1.67 times in FY18.

Credit Risks:
Small scale of operations with an average total operating income of Rs 36.10 Crs in last 3 FYs.. Operating profit margin has declined y-o-y basis from 8.03 % in FY16 to 6.56 % in FY17 to 5.35% in FY 18 . exposed to foreign currency price risk since no hedging policy , Inherent risk is the constitution of the firm being partnership

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable
BWR believes the **Blue Lake Ceramic** 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
Blue Lake Ceramic is a partnership concern established on 23.7.2010. The manufacturing facility and office is located at Dhuva, Gujarat. Firm is engaged in manufacturing & wholesale supplies of ceramic wall tiles, vitrified tiles, lustre wall tiles, digital tiles, wall tiles, ceramic wall tiles, light dark glossy wall tiles, light dark matt wall tiles, lustre ivory wall tiles, lustre ivory highlighter wall tiles, lustre ivory kitchen concept wall tiles, lustre white wall tiles, etc. The raw materials used in the process are sand, clay, colours and some additives. The tiles are distributed all over India. Exports are made on collection basis

Export sales are made mainly to Saudi Arabia , Firm has given confirmation that there are no outstanding shipment beyond 180 days for realization.

Firm's Financial Performance

Revenue and PAT of Blue Lake Ceramic stood at Rs.54.10 Crs and Rs 0.98 Crs in FY18 respectively. The Tangible Net Worth of the firm stood at Rs. 8.60 Cr in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	26. 5.2017	2016	7.10..2015
1	**Fund based**	Long Term	5.50	**BWR BB-** (Pronounced as BWR Double B Minus) **Outlook: Stable**	**Rating not reviewed**	**Not Rated**	**BWR B+ Pronounced as BWR B Plus) Outlook: Stable**
2	**Non Fund Based**	Short Term	Nil	**Reaffirmation of BWR A4 and simultaneous withdrawal of rating BWR A4**	**Rating not reviewed**	**Not Rated**	**BWR A4 (Pronounced as BWR A Four)**
	Total		**5.50**	**₹ Five Crores and Fifty Lakhs Only**			

On 31.12 2013 , initial rating was done and assigned rating of BWR B/A4..
Status of non-cooperation with previous CRA : Nil
Any other information-Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	54.10	35.89
EBITDA	₹ Cr	2.89	2.35
PAT	₹ Cr	0.98	0.48

23 Oct 2018

Tangible Net worth	₹ Cr	8.60	5.83
Total Debt/Tangible Net worth	Times	0.30	0.57
Current Ratio	Times	1.29	1.13

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

Analytical Contacts	Media
Venkatesh CGM-Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.