Rating Rationale

Latto Tiles LLP

7 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 12.00 Crores of Latto Tiles LLP.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	11.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable
Non Fund Based	1.00	Short Term	BWR A4
Total	12.00	INR Twelve Crores Only	

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

Rating under Credit Watch with Positive / Negative / Developing implications

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's projected financial results upto FY23 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from the experience of management and firm's geographical advantage. However, the rating is constrained by inherent risk associated with green field project, profitability exposed to volatility in raw material and high fuel cost as well as highly competitive and fragmented nature of ceramic tile industry. Further, the ratings has also factored some of the lenders pre-disbursements terms and conditions.

Further, being a partnership firm (LLP), any significant withdrawal from the capital/current account by the partner would adversely impact the capital structure, hence this remains a rating sensitivity.

Description of Key Rating Drivers

- **Credit Strengths:**

1. **Experience of management in the line of business:** The promoters of Latto Tiles LLP are also part of other concerns operating in the same line of business for the last 8 years in ceramic industry.
2. **Firm's geographical advantage:** The firm is located in Morbi, Gujarat. Moreover, Morbi is India's largest ceramic tile making cluster with 70% of market share.

- **Credit Risks:**

1. **Profitability exposed to volatility in raw material and high fuel cost:** High fuel cost contributes as a major cost of production in ceramic industry. Hence, **t**here is possibility of fluctuations in profit margins due to high fuel cost and volatility in raw material cost.
2. **Highly competitive and fragmented nature of ceramic tile industry:** There is a tight competition from organized as well unorganized players in the ceramic tile market.

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 **Latto Tiles LLP** 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 Company

Latto Tiles LLP (LTLLP) is limited liability partnership firm established in October 2017 in Morbi, Rajkot. However, the firm expects to commence its operations by end of May, 2018. LTLLP is envisaging to set up a unit for manufacturing and trading of ceramic glazed wall tiles with an installed capacity of 25200 MTS of ceramic tiles.

Company Financial Performance

The firm expects to commence its operations in FY19 with an estimated net revenue of Rs.20.33 Crs and PAT of Rs.0.32 Crs. The concern further projects the net revenue to increase to Rs.29.08 Crs in FY20. LTLLP has infused capital worth Rs.5.85 Crs as on 5th May 2018.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	11.00	**BWR BB- (Outlook:Stable)**	**NA**	**NA**	**NA**
	Non Fund Based	Short Term	1.00	**BWR A4**			
	Total		**12.00**	**₹ Twelve Crores Only**			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Key Financial Indicators

Key Parameters	**Units**	**2019**	**2018**
Result Type		**Projected**	**Projected**
Operating Revenue	₹ Cr	23.99	29.08
EBITDA	₹ Cr	0.32	0.47
PAT	₹ Cr	3.10	3.21
Tangible Net worth	₹ Cr	6.32	6.79
Total Debt/Tangible Net worth	Times	2.06	1.76
Current Ratio	Times	1.32	1.44

Hyperlink/Reference to applicable Criteria

- General Criteria

- [Approach to Financial Ratios]
- [Infrastructure Sector]
- [Short Term Debt]

For any other criteria obtain hyperlinks from website

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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

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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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