

Rating Rationale

Millennium Vitrified Tiles Private Limited

3 July 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 26.62 Crores of Millennium Vitrified Tiles Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2017)	Present
Fund based Term Loan I Term Loan II Cash Credit	8.89 0.55 12.00	8.89 0.55 12.00	Long Term	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus Outlook Stable)	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus Outlook Stable)
Non Fund Based Bank Guarantee	5.18	5.18	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
Total	26.62	26.62	INR Twenty Six crores and Sixty Two lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Rating reaffirmed to BWR BB- (Stable)/A4

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Millennium Vitrified Tiles Private Limited up to FY17, Provisional financial of FY18, Projected financial of FY19, publicly available information and information and clarifications provided by the company's management.

The rating has, inter alia, factored in strong experience of the management, comfortable Debt Protection Metrics and adequate liquidity. The rating is, however, constrained by working capital intensive operations, decline in profitability, exposure to the volatility of the raw material proces, stiff competition from the other player.

Going forward the ability of the company to enhance its scale of operations, improve profitability and capital structure, manage working capital efficiently shall be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

- **Well Experienced Management:** The directors of the company have more than 2 decades of experience in the industry.

- **Moderate Debt Protection Metrics:** ISCR and DSCR are at modest levels of 2.53 times and 0.87 times respectively in FY17. This implies that the company has been able to service its debt comfortably.
- **Comfortable profitability Ratios:** Net Profit Margin and Operating Profit Margin are moderate, 5.01 times and 16.08 times respectively in FY17. The ROCE of the company at 11.08 % in FY17.
- **Diversified Customer Base:** The concern has diversified its presence in states such Gujarat, Maharashtra, Rajasthan and Madhya Pradesh.
- **Increase in revenue:** The revenue of the company has grown by 12.02 % in FY17 and in FY18 (Prov.) by 5.74%.
- **Credit Risks:**
 - **Weak Liquidity Position:** Weak Liquidity Position indicated by Current Ratio at 0.73x in FY17.
 - **Low Coverage Ratio:** Indicated by Net Cash Accruals/Total Debt at 0.20x in FY17 and 0.18x in Fy18 (Prov).
 - **Highly Competitive Industry:** The company may face stiff competition from other players in the industry.
 - **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, there is possibility of fluctuations in profit margins due to high fuel cost and volatility in the ceramic tile market.
 - **Elongated Trade Receivables, 147 days & 124 days and Payable Days, 363 & 220 in Fy17 and FY18 respectively.**

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 **Millennium Vitrified Tiles Private Limited'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 Company

Millennium Vitrified Tiles Private Limited was incorporated in January 2011 by Mr. Dinesh Patel, Mr. Mansukh Karodiya, Mr. Ramesh Aghara and Mr. Rajesh Koradiya. The company commenced its commercial operations from April 2012. The company is engaged in manufacturing of 'Glazed Vitrified Tiles' in Morbi, Gujarat. The company has established 'MILLENNIUM' as the brand for selling its products.

Company Financial Performance

The company revenue increased to Rs. 52.71 cr in FY17 from Rs. 47.05 cr in FY16. The PAT increased to Rs. 2.48 cr from Rs. 1.82 cr in FY16. The company's leverage at 1.45x in FY17, coupled with moderate Debt Protection Metrics, ISCR 2.53x and DSCR 0.87x.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	11, May, 2017	18, February, 2016	2015
1	Fund Based Term Loan I	Long Term	8.89	BWR BB-(Stable)	BWR BB-(Stable)	BWR BB-(Stable)	NA
2		Long Term	0.55	Pronounced as BWR Double B	Pronounced as BWR Double B	Pronounced as BWR Double B	NA
3		Short Term	12.00	Minus Outlook Stable	B Minus Outlook Stable	Minus Outlook Stable	NA
4	Non Fund Based Bank Guarantee	Short Term	5.18	BWR A4 Pronounced as BWR A Four	BWR A4 Pronounced as BWR A Four	BWR A4 Pronounced as BWR A Four	NA
Total			26.62	₹ Twenty Six crores and Sixty Two lakhs Only			

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

Key Financial Indicators

Key Parameters	Units	2018	2017	2016
Result Type		Provisional	Audited	Audited
Operating Income	In ₹ Crs	55.74	49.51	47.05
EBITDA	In ₹ Crs	5.04	7.96	6.87
PAT	In ₹ Crs	2.19	2.48	1.82
TNW	In ₹ Crs	20.90	18.71	15.51
Total Borrowings	In ₹ Crs	24.17	27.14	32.06
Operating Profit Margin	%	9.04	16.08	14.60
Net Profit margin	%	3.93	5.01	3.88
Total Debt / TNW	Times	1.16	1.45	2.07
TOL / TNW	Times	2.04	3.08	3.71
DSCR	Times	0.80	0.87	0.91
ISCR	Times	2.46	2.53	1.66

Current Ratio	Times	0.83	0.73	0.70
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Hyperlink/Reference to applicable Criteria

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

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For print and digital media

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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, 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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

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.