



Rating Rationale

17 Oct 2018

Montello Ceramics LLP

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 12.45 Crores of Montello Ceramics LLP..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	10.95	Long Term	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus)
Non Fund Based	1.50	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	12.45	INR Twelve Crores & Forty Five Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's Audited Financials for FY18, CA certified Cost of Project and Means of Finance as on 31st August, 2018, Financial projections up to FY23, publicly available information and clarifications/information provided by the Promoters.

The rating draws strength from an extensive experience of promoters in the industry, Satisfactory financial projections made and accepted by the lenders and Locational advantages. The rating also takes into account that the financial closure has been achieved and the project appears to be in line with the implementation schedule. The ratings are however, constrained by relatively average financial risk profile the firm and the project execution risk associated with the green field project. The rating also considers the Growing share of organised sector at the expense of the unorganised sector in ceramic industry.

The ability of the firm to achieve the projections and to maintain its working capital efficiently shall be the key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced management:** The management has more than a decade of business experience in the ceramic industry. Presence in the ceramic industry has enabled the promoters to understand market dynamics and establish strong relationship with clients and suppliers.



- **Locational Advantage** : The firm is located in Morbi and thus has a competitive advantage in terms of skilled labour, logistics, production, knowledge and vendors; making the industry cost effective and efficient.
- **Infusion of capital** : Partner's capital is Rs. 0.65 Crs & USL is Rs. 2.18 Crs as per audited financials of FY18 . As per CA certificate as on 31st August, 2018, Partners have infused the capital of Rs. 5.37 Crs against projected capital of Rs. 5.50 Crs stipulated by the lenders. USLs of an amount of ~Rs. 1.18 Crs has been brought.

Credit Risks:

- **Exposure to project implementation and stabilisation risks:** Manufacturing of glazed vitrified tiles is expected to commence from November 2018. Timely implementation, stabilisation, and commensurate ramp-up in sales during the initial phase of operations, given the intense competition in the tiles industry, will remain critical.
- **Expected average financial risk profile:** Financial risk profile may remain average on account of ongoing debt funded capital expenditure and leading to high gearing. Projected debt/TNW is 2.44 & TOL/TNW is 2.79 for FY19.
- **Intense Competition** : The ceramic industry is marked by intense competition from numerous ceramic units in the unorganised sector and as well as large units in the organised sector.
- **Susceptibility to volatility in raw material and gas prices:** Operations are expected to be exposed to fluctuations in raw material and fuel prices as competition limits the ability to pass on any increase in input cost to customers.

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 **Montello Ceramics 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 Firm:

Montello Ceramics LLP was established in December, 2017 as a Limited Liability Partnership firm. The firm has its Registered Office in Morbi, Gujarat. The firm is envisaging to set-up Ceramic Wall tiles unit with install capacity of 35100 MTPA and commercial production will be initiated from November-2018. The final products of the unit will be mainly used in residential buildings, commercial complexes, hospitals, hotels, cinema etc. The partners and their family members are in the ceramic business since last many years and are running one other ceramic manufacturing unit successfully.

Financial Performance

Partner's capital is Rs. 0.65 Crs & USL is Rs. 2.18 Crs as per audited financials of FY18

As per CA Certificate as on 31.08.2018, Out of a COP of Rs. 15.50 Crs, ~Rs. 7.52 Crs has been expended. An amount of ~Rs. 5.37 Crs has been infused as capital against Rs. 5.50 Crs stipulated by the lenders. USLs of an amount of ~Rs. 1.18 Crs has been brought.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based: Term Loan Cash Credit Limit	Long Term	6.95 4.00	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus)	NA	NA	NA
2	Non Fund Based: Bank Guarantee	Short Term	1.50	BWR A4 (Pronounced as BWR A Four)	NA	NA	NA
Total			12.45	₹ INR Twelve Crores & Forty Five Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Key Financial Indicators

Key Parameters	Units	2018
Result Type		Audited
Operating Revenue	₹ Cr	0.00
EBITDA	₹ Cr	0.00
PAT	₹ Cr	0.00
Tangible Net worth	₹ Cr	0.65
Total Debt/Tangible Net worth	Times	3.38
Current Ratio	Times	2.76

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, 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

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