

## Rating Rationale

### Panara Ceramic Pvt Ltd

12 Jan 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Panara Ceramic Pvt Ltd. ('PCPL' or 'The Company')

#### Particulars:

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<b>Fund Based:</b>			<b>BWR BB-</b>
Cash Credit	3.00	Long Term	(Pronounced as BWR double B minus)
Term Loan	5.55		<b>(Outlook : Stable)</b>
<b>Non Fund Based:</b>			<b>BWR A4</b>
Bank Guarantee	0.90	Short Term	(Pronounced as BWR A Four)
<b>Total</b>	<b>Rs. 9.45 Crs (Rupees Nine Crores and Forty Five Lakhs Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Rating sensitivities:

BWR has essentially relied upon projections made and submitted to the bank for appraisal of the project, publicly available information and clarification provided by the management.

The rating draws strength from the adequate experience of promoters in the business, satisfactory financials as per the projections made and accepted by the lenders and location advantage to the company. The rating notes that the financial closure has been achieved and disbursements have commenced. The ratings are however, constrained by the project execution risk associated with a Greenfield Project and the growing share of organized sector at the expense of the unorganized sector. The rating also takes into account that the GST may result in lowering of tariff differential between the organized and unorganized players.

The ability of the company to achieve the COD, as projected by the lenders, without any time or cost overrun shall be the key rating sensitivities.



### **Key Rating Drivers:**

The promoters have an extensive experience of ceramic tile industry and have been already operating a ceramic unit successfully.

Financial closure has been achieved and the financials are satisfactory as per the projections made and accepted by the lenders.

The project is progressing as estimated. Out of an estimated COP of Rs. 11.75 Crs, ~Rs. 5.95 Crs has been expended. An amount of ~Rs. 3.00 Crs has been infused as capital against Rs. 4.00 Crs stipulated by the lenders.

The company is located at Morbi and thus has a competitive advantage in terms of skilled labour, logistics, production, knowledge and vendors; making the industry cost effective and efficient.

The company is exposed to inherent risks associated with a Greenfield project. Also, the unit faces intense competition from numerous existing/similar units coming up in and around Morbi, a ceramic hub in Gujarat.

### **Analytical Approach:**

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Panara 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 the sales and profitability match/surpass the estimates. The rating outlook may be revised to 'Negative' in case the revenues and profits fail to match the projections.

### **About the Company:**

Panara Ceramic Pvt Ltd was established on 20/06/2014 as a private limited company with the registered office at Morbi, Gujarat. The company proposes to set up a Ceramic wall glazed tiles plant at Morbi, with the total installed capacity of 24900 MTPA. The unit has estimated the COD in April 2018.

### **Project Details:**

The project has an installed capacity of 24900 MTPA. The unit is to commence commercial production from April 2018. The capacity utilization has been projected at 50% for the 1<sup>st</sup> year, going up to 66% in the 5<sup>th</sup> year. The cost of the project has been estimated at Rs. 11.75 Crs and to be funded by Bank borrowings of Rs. 5.55 Crs, promoters' contribution of Rs. 4.00 Crs and unsecured loans of Rs. 2.20 Crs. The credit facilities have since been sanctioned by the bank.

### Company Financial Performance:

As at 30.11.2017, ~Rs. 5.95 Crs has been expended on the project; funded by equity capital of ~Rs. 3.00 Crs, term loan disbursement of ~Rs. 1.67 Crs, unsecured loans of ~Rs. 0.85 Crs and other current liabilities of ~Rs. 0.43 Crs.

The Company has estimated a TOI of Rs. 17.06 Cr and a PAT of Rs. 0.50 Cr for FY19.

Key Financial Figures			
Particulars	Unit	FY19 (Projected)	FY20 (Projected)
Operating Income	Rs. Crores	17.06	19.65
EBITDA	Rs. Crores	2.80	2.98
PAT	Rs. Crores	0.50	0.79
Tangible Networth	Rs. Crores	4.50	5.29
Total Debt	Rs. Crores	10.27	9.31
Total Debt : Equity	Times	2.28	1.76
Current Ratio	Times	1.34	1.47

### Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	3.00	BWR BB- (Pronounced as BWR double B minus) (Outlook : Stable)	--	--	--
2	Term Loan		5.55				
3	Bank Guarantee	Short Term	0.90				
Total : Rs. 9.45 Crs (Rupees Nine Crores and Forty Five Lakhs Only)							

### Hyperlink/Reference to applicable Criteria

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



Analysts	Media
Mr. Sunil Bharadwaj	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
AGM- Ratings	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

#### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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 ₹ 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.

#### 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.