



Rating Rationale

Sekol Tiles LLP

18 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 11.80 Crores of Sekol Tiles LLP.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	10.80	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable
Non Fund Based	1.00	Short Term	BWR A4
Total	11.80	INR Eleven Crores and Eighty 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 projected financial results upto FY22 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of management, firm's geographical advantage and moderate level of capital. 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 Sekol Tiles LLP are also



part of other concerns operating in the same line of business for the last 24 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.
3. **Infusion of share capital:** The firm has infused capital worth Rs.3.53 Crs as on 31st March 2018 out of projected capital of Rs.5.25 Crs in FY19. Further, STLLP has brought in unsecured loans of Rs 0.54 Crs as on 31st March 2018.

- **Credit Risks:**

1. **Nascent stage of operations:** The firm expects to commence operations by July 2018 hence, there is an operating risk attached to the proposed project.
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. Furthermore, high power and fuel charges which contributes as major cost of production in ceramic industry may lead to fluctuations in profit margins.

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 **Sekol 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

Sekol Tiles LLP (STLLP) is limited liability partnership firm established in November 2017 in Morbi, Rajkot. However, the firm expects to commence its operations by July 2018. STLLP is envisaging to set up a unit for manufacturing and trading of ceramic glazed wall tiles with an installed capacity of 18480 MTS of ceramic tiles.

Company Financial Performance

The firm expects to commence its operations in FY19 with an estimated net revenue of Rs.20.98 Crs and PAT of Rs.0.39 Crs. The concern further projects the net revenue to increase to Rs.24.52 Crs in FY20. STLLP has infused capital worth Rs.3.53 Crs as on 31st March 2018 out of projected capital of Rs.5.25 Crs in FY19.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	10.80	BWR BB- (Outlook:Stable)	NA	NA	NA
2.	Non Fund Based	Short Term	1.00	BWR A4			
	Total		11.80	₹ Eleven Crores and Eighty Lakhs Only			

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

Any other information

Key Financial Indicators

Key Parameters	Units	2020	2019
Result Type		Projected	Projected
Operating Revenue	₹ Cr	24.52	20.98
EBITDA	₹ Cr	3.22	3.07
PAT	₹ Cr	0.51	0.39
Tangible Net worth	₹ Cr	6.15	5.64
Total Debt/Tangible Net worth	Times	1.60	1.91
Current Ratio	Times	1.50	1.38

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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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

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