



**Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities ₹ of ₹.  
74.45 Crores of Cengres Tiles Ltd.**

**Particulars**

Facility			Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
<b>Fund based</b>	60.69	47.27	<b>Long Term</b>	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>Outlook: Stable</b>	<b>BWR BB+</b> (Pronounced as BWR Double B Plus) <b>Outlook: Stable</b>
<b>Non Fund Based</b>	12.00	8.02	<b>Short Term</b>	<b>BWR A3+</b> (Pronounced as BWR A Three Plus)	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	72.69	55.29	<b>INR Fifty Five Crores and Twenty Nine Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings:Downgraded**

**The downgrade factors in decreasing trend in operating income, declining and low profit margins, inadequate cash accruals to meet debt obligations in medium to long term as well as irregularities noticed in bank statements.**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financial results upto FY18, provisional financials of FY 19 and projected financials for FY19 of Cengres Tiles Limited ('CTL' or 'the Company'), publicly available information and information/clarification provided by the Company's management/Bank.



The rating necessarily factors in, vast experience of promoters in ceramic tiles manufacturing, pan India dealer-distributor network and moderate networth of the company. However the rating is constrained by, low and declining profit margins, deteriorating liquidity position, competitive players in the market and susceptibility of margins to adverse movements in power and fuel prices.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- **Established presence in the market:** CTL has a recognized brand along with an acceptance in the market since 2008. The company has a wide network of dealers and distributors with Omni-channel presence pan India. Further, it has a product portfolio consisting of high end vitrified tiles and diversification offering of wall tiles and heavy duty parking tiles.
- **Moderate Networth of the company:** As per scale of operations and level of debt, the company has moderate networth of Rs 52.22 Crs as on 31st March 2019 coupled with modest gearing at 1.38 times.

#### **Credit Risks:**

- **Low and declining profit margins:** Net profit margin has significantly declined from 1.34% in FY17 to 0.23% in FY18. Further, margins remain low in FY19 at 0.41%. This is mainly attributed to low levels of profit in FY18 and FY19.
- **Deteriorated liquidity position:** The company has leveraged debt structure with a total debt of Rs 72.30 Crs coupled with current portion of long term debt of Rs 8.13 Crs in FY19 (Provisional). In addition, net cash accruals/total debt is low at 0.06 times in FY19 against 0.09 times in FY18 indicating situations of insufficient cash flow to serve debt obligations in a timely manner on a medium to long term. Further, debt service coverage ratio is weak at 0.60 times coupled with modest current ratio at 1.11 times in FY19.
- **Highly competitive and fragmented nature of ceramic tile industry:** The company faces huge competition from organized as well as unorganized players in the ceramic tile market. Further, any revision in power and fuel charges which constitutes a major portion of the 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 **Cengres Tiles Ltd** 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

Cengres Tiles Ltd. was incorporated in the year 2007 and the company began its operations in the year 2008. Company is engaged in manufacturing of vitrified tiles via its unit located in Mehsana, Gujarat. The product profile of the company consists of multi charge vitrified tiles, digital vitrified tiles, glazed vitrified tiles and soluble salt tiles.

### Company Financial Performance

Total operating income has decreased from FY17 to FY18 by 28.00% which further declined by 4.00% in FY19. Net profit margin is low at 0.41% in FY19 against 0.23% in FY18. Cash conversion cycle is high at 225 days in FY19 leading to working capital intensive nature of operations.

### Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	May 2018	Jan, 2017	2016
1.	Fund Based	Long Term	47.27	<b>BWR BB+</b> (Pronounced as BWR Double B Plus) <b>Outlook:Stable</b>	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>Outlook: Stable</b>	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>Outlook: Stable</b>	NA
2.	Non Fund Based	Short Term	8.02	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A3+</b> (Pronounced as BWR A Three Plus)	<b>BWR A3+</b> (Pronounced as BWR A Three Plus)	
	<b>Total</b>		55.29	<b>₹ Fifty Five Crores and Twenty Nine Lakhs Only</b>			

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



### Key Financial Indicators

Key Parameters	Units	2019	2018	2017
Result Type		Provisional	Audited	Audited
Operating Revenue	₹ Cr	104.91	108.66	150.40
EBITDA	₹ Cr	9.62	15.44	19.60
PAT	₹ Cr	0.43	0.25	2.01
Tangible Net worth	₹ Cr	52.22	49.55	50.32
Total Debt/Tangible Net worth	Times	1.38	1.57	1.75
Current Ratio	Times	1.11	1.09	1.17

### 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](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, 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.

### **DISCLAIMER**

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