Press Release

Millennium Tiles LLP (MTL)

January 19th, 2021

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Bank Facility – O/S Term Loans	26.41	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
2.	Long Term Bank Facility – Cash Credit	10.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
3.	Short Term Bank Facility – Bank Guarantee	4.32	IVR A4 (IVR Single A Four)
	Total	**40.73**	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the above bank facilities of Millennium Tiles LLP derives strength from established track record of partners in the ceramics industry, location advantage of being in the ceramic tile hub and moderate financial risk profile. However, the rating strengths are partially offset by nascent stage of operations; presence in highly competitive market where sales are linked to the demand from the end-user industry and susceptibility of profitability to volatility in raw material prices.

Key Rating Sensitivities:

- **Upward Factor**
  - ➢ Substantial improvement in revenue while maintaining the current profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action
- **Downward Factor**
  - ➢ Any volatility in input prices and foreign exchange fluctuation risk along with deterioration in revenue and/or profitability margin.

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Established track record of partners in the ceramics industry:***

The partners of MTL, Mr. Rajesh Koradiya, Mr. Jayeshkumar Koradaiya, Mr. Ravi Koradiya, Mr. Nitin Naraniya, Mr. Mahesh Naraniya and Mr. Sandip Naraniya have extensive experience in the aforementioned industry since 1997 through their other associate and group entities. Such long standing operational track record has benefited the Company to maintain healthy relations with its customers and suppliers. The extensive experience of the promoters is also reflected through its healthy revenue growth rate, even in its early stage of operations.

MTL shall benefit and leverage from the partners' established distribution and marketing network, partially mitigating the revenue generation ability risk.

- ***Location advantage of being in the ceramic tile hub:***

MTL's manufacturing facility is located in Morbi (Gujarat), which is one of the largest ceramic clusters in India. Primary raw materials; i.e. various types of clay and minerals are easily available from Gujarat and Rajasthan. Its manufacturing unit uses natural gas as fuel and has total production capacity of 59,400 MTPA. Altogether, the Company has competitive advantage in easy access to quality raw materials at competitive prices and lower transportation cost, which shall enable the Company in keeping its cost structure in control.

- ***Moderate financial risk profile:***

Still in its nascent stage of operations, the Company has been able to register revenue of INR71.74 Crore in FY20 when compared to INR41.77 Crore in FY2019 (a 71.89% increase) and further managed to improve its operating profitability to 15.64% in FY20 as against 9.66% in FY19. The moderate financial risk profile is marked by moderate partners' capital, debt protection metrics and its overall gearing levels. The adjusted net worth improved to INR16.27 Crore as on March 31st, 2020 as against INR13.89 Crore as on March 31st, 2019 on account of support from partners contribution in the form of unsecured loans. Its overall gearing improved to 1.90x as on March 31st, 2020 when compared to 2.52x as on March 31st, 2019 and is expected to improve further on account of absence any debt funded capex in the short to medium term and modest incremental working capital requirements. Interest Coverage stood moderate at 2.67x in FY20 when compared to 1.18x in FY19.

Key Rating Weaknesses

- ***Nascent stage of operations; partnership nature of constitution:***

The commercial production started only post FY18, hence the ability of MTL to grow its scale of operations with optimum utilization of its manufacturing facility and generate adequate net cash accruals in order to repay its maturing debt obligations is yet to be seen and hence shall be a key rating factor. The potential business risks are partially mitigated with the entity's ability to leverage on its partners' long standing association in the ceramics industry. Further, MTL is exposed to the capital withdrawal risk on account of partnership nature of concern.

- ***Presence in highly competitive market where sales are linked to the demand from the end-user industry:***

The ceramic industry in India is highly competitive on account of low entry barriers, easy availability of raw materials and limited capital intensive requirements. Further, such factors influence the unorganized players to put pressure on the pricing powers of the existing players in the industry. Also, ceramic industry is primarily driven by demand from the end user industry (real estate) and the economic scenario.

- ***Susceptibility of profitability to volatility in raw material prices:***

Prices of raw materials, i.e. clay and feldspar are highly volatile in nature as they are market driven and can further envisaged to put pressure on the margins of the Company. Another major cost component is fuel expenses, i.e. natural gas, which is used to fire the furnace. The profitability is hence envisaged to remain exposed to volatile LNG prices.

Analytical Approach &Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

MTL generated cash accruals of INR7.06 Crore in FY2020 against debt obligations of INR4.33 Crore for the same period. The Company maintains unencumbered cash and bank balances of INR1.83 Crore as on March 31st, 2020. The current ratio stood 1.25x as on March 31st, 2020. The liquidity is expected to remain adequate in the near to medium term in view of high profitability led expected cash accruals against its repayment obligations The average fund based working capital utilisation remained at 88.18% during the last twelve months ended November 2020.

About the Company

Established as a Limited Liability Partnership concern in April 2017, Millennium Tiles LLP (MTL) started its full-fledged commercial operations from April 2018. The entity is primarily engaged in manufacturing of Polished Vitrified Tiles of various sizes, particularly 600m x 1200m, 800m x 800m, 800m x 1600m, 1200m x 1200m and 1200m x 1800m. Its manufacturing facility is situated at Morbi, Gujarat with a plant capacity of 59,400 MTPA.

Financials:

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Revenue	41.77	71.74
EBITDA	4.03	11.22
PAT	-5.54	1.87
Total Debt	34.95	30.85
Tangible Net-worth	13.89	16.27
EBITDA Margin (%)	9.66	15.64
PAT Margin (%)	-13.23	2.60
Overall Gearing Ratio (x)	2.52	1.90

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)

			(INR Crore)		assigned in 2019-20	assigned in 2018-19	assigned in 2017-18
1.	Long Term Bank Facility – O/S Term Loans	Long Term	26.41	IVR BB/Stable	--	--	--
2.	Long Term Bank Facility – Cash Credit	Long Term	10.00	IVR BB/Stable	--	--	--
3.	Short Term Bank Facility – Bank Guarantee	Short Term	4.32	IVR A4	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – O/S Term Loans	26.41	NA	NA	Up to Dec 2025	IVR BB/Stable
Long Term Bank Facility – Cash Credit	10.00	NA	NA	NA	IVR BB/Stable
Short Term Bank Facility – Bank Guarantee	4.32	NA	NA	NA	IVR A4