

January 22, 2016

CARE ASSIGNS 'CARE BB' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF METRO CITY TILES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	12.50	CARE BB (Double B)	Assigned
Short-term Bank Facilities	0.10	CARE A4 (A Four)	Assigned
Total	12.60 (Rupees Twelve crore and Sixty lakh only)		

Rating Rationale

For arriving at the ratings of Metro City Tiles Private Limited (MCTPL), CARE has considered the combined financial and business profile of the three entities of Metro Group (MG) namely, Metro City Tiles Private Limited (MCTPL), Metro World Tiles Private Limited (MWTPL) and M/s Metro Ceramic (MCC) due to their managerial and financial linkages.

The ratings assigned to the bank facilities of the Metro Group (MG) is primarily constrained on account of its low and fluctuating profit margin which is susceptible to raw material and fuel price fluctuations its working capital intensive nature of operations, presence in the highly fragmented ceramic tiles industry and demand linkages with the cyclical real estate sector.

The ratings, however, favorably factor in vast experience of the promoters in the ceramic industry, increasing scale of business operations and MG's presence in the ceramic tile hub with easy access to raw material and power and fuel. The ratings also factor in moderate capital structure and debt coverage indicators of MG.

Going forward, MG's ability to increase its profit margins by managing raw material fluctuations and improve capital structure and debt coverage indicators would remain the key rating sensitivity. Furthermore, efficient management of working capital and improvement in liquidity profile would also remain crucial.

Background

Morbi-based (Gujarat) MCTPL, a closely-held private limited company, was incorporated in 2007 by Mr Dilip R Patel and his family member. MCTPL is engaged in manufacturing of digital glazed vitrified tiles. MCTPL operates from its manufacturing facility located in ceramic cluster (Morbi) and has an

¹ Complete definition of the ratings assigned are available at <http://www.careratings.com> and other CARE publications

installed capacity to manufacture 43,200 MTPA of glazed vitrified tiles as on March 31, 2015. MCTPL is a part of "Metro Group", having presence across the floor tiles (Metro Ceramic), Porcelain tiles (Metro World Tiles Private Limited) and glazed vitrified tiles (Metro City Tiles Private Limited).

Based on FY15 (refers to the period April 1 to March 31) results, MG registered a total operating income (TOI) of Rs.131.96 crore (Rs.91.57 crore in FY14) with a PAT of Rs.1.67 crore (Rs.1.04 crore in FY14). During 8MFY16 (Prov.), MG has achieved TOI of Rs.80.59 crore.

On a standalone basis, based on FY15 audited results, MCTPL registered a total operating income (TOI) of Rs.59.45 crore (Rs.32.97 crore in FY14) with a PAT of Rs.0.73 crore (Rs.0.30 crore in FY14).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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