

Millennia Ceramica Private Limited

January 04, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	52.93 (Enhanced from 43.52)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Long Term / Short Term Bank Facilities	4.50 (Enhanced from 3.25)	CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable/ A Four)	Revised from CARE BB-; Stable / CARE A4 (Double B Minus ; Outlook: Stable / A Four)
Total Bank Facilities	57.43 (₹ Fifty-Seven Crore and Forty-Three Lakh Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

For arriving at the ratings of Millennia Ceramica Private Limited (MCPL) and Millennia Tiles Private Limited (MTPL), CARE has taken a combined view of both, as these entities are engaged in the similar line of business and have common promoters. They are together referred as Millennia group.

The revision in rating of MCPL factors in successful scaling up of its operations backed by moderate capacity utilisation.

The ratings to the bank facilities of Millennia Group are constrained due its leveraged capital structure and modest debt coverage indicators, its presence in highly fragmented industry with fortunes dependent upon real estate market, its exposure to volatile natural gas and key raw material prices and stretched liquidity.

The ratings, however, continues to derive strength from Millennia group's experienced and resourceful promoters with an established presence in the ceramic tile industry, location advantage derived by being present in the ceramic tile cluster, accessibility to existing selling and distribution network of the associate companies and low customer concentration risk.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in total operating income (TOI) to over Rs.180 crore along with improvement in PBILDT margin above 10% on a sustained basis.
- Improvement in capital structure marked by reduction in overall gearing below 2 times.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Delay in scaling up resulting in TOI of less than Rs.150 crore or PBILDT margin below 8%
- Deterioration in overall gearing beyond 4 times.
- Increase in working capital intensity resulting in elongation of the working capital cycle to more than 90 days.

Detailed description of the key rating drivers

Key rating weaknesses

Leveraged capital structure and modest debt coverage indicators

High reliance on debt (including unsecured loans from promoters) for working capital requirements and greenfield projects and on a modest net worth base has resulted in a leveraged capital structure with overall gearing at 2.32 times as on March 31, 2022. The interest coverage for millennia group remained modest 1.47 times as on March 31,2022.

Presence in highly fragmented industry with fortunes dependent upon real estate market

The ceramic tile industry in India is highly competitive. Low entry barriers, easy availability of raw material and limited initial capital investment requirement has attracted large influx of unorganized and regional players. Moreover, the ceramic tile industry has strong linkages with the real estate industry, which, in India is highly fragmented and cyclical.

Exposure to volatile natural gas and key raw material prices

The prices of major raw material i.e. clay and fuel (natural gas) constitute a major part of the cost structure of an entity in the ceramic tile industry. Considering prices of both (clay and natural gas) are market driven, inability of the company to pass it on to its customers may exert pressure on profitability of the company. Furthermore, adverse macroeconomic developments has

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

resulted in steep rise in fuel prices in the beginning of the year. However, from October 2022 onwards the Millennia group has started using Propane which is expected to reduce the fuel cost to a certain extent and also provide the group with alternative source of fuel.

Key rating strengths

Successful scaling up of operations backed by moderate capacity utilization

In its first 14 months of operations (i.e from Aug 2021 till Sep 2022) MCPL has registered TOI of around Rs.87 crore whereas MTPL has registered sales of around Rs.34 crore in its first 5 months of operations (i.e. from May 2022 to Sep 2022). Given the nascent stage of operations the capacity utilization (on annualized basis) remained high for MCPL at around 77% for 8MFY22(i.e. from Aug 2021 till March 2022) and 82% for 6MFY23 (i.e. from April 2022 till September 2022). MTPL's capacity utilization remained moderate at 65% for 5MFY23 (i.e. from May 2022 to September 2022).

Location advantage with presence in the ceramic tile manufacturing cluster

Both the entities of Millennia group. i.e. MCPL's and MTPL's manufacturing facilities are located at Morbi in Gujarat which is the largest ceramic cluster in India & second largest in the world. Moreover, proximity of major ports (such as Kandla and Mundra) also lowers the transportation cost and facilitates timely export.

Experienced promoter group and accessibility to existing selling and distribution network of the group

MCPL is a part of 'Millennium group' promoted by Mr. Rakesh Koradiya, Mr. Vallabh Koradiya, and Mr.Kunal Patel. All the directors and promoters have a vast experience in the ceramic tile industry and are assisted by a team of professionals. The group is conglomerate of various entities which have diversified business operations with core business of ceramic tiles. Exports from the group is routed through its export arm i.e. Millennium Overseas. Hence, MCPL has an advantage in terms of access to established selling and distribution network of the Millennium group across India and overseas (through Millennium overseas).

Low customer concentration risk

The customer concentration risk remains low for both the companies, with top 5 customers contributing around 39.50% of its total sales in the current financial year. While domestic sales of the group is diversified, exports is routed through Millennium Overseas. On combined basis, sales to Millennium Overseas accounted for approximately 24.31% of group sales.

Liquidity: Stretched

Millennia group's liquidity position is envisaged to remain stretched on account of expected generation of gross cash accruals of around Rs. 10.00 – 19.00 crore from FY23-25, vis-à-vis repayment ranging from Rs.7.00- 14.00 crore. During FY23, MCPL has availed a new term loan of Rs. 12.65 crore (repayment of the same begins from FY24) for installation of Solar plant. Loan is expected to be disbursed in January 2023.

The average utilization of fund based limit of Millennia group has been around 75% for 12-month period ended on September 2022. As on March 31, 2022, MCPL had free cash & bank balance of Rs. 0.68 crore. Further, in case of any short fall in debt servicing, the promoters will infuse funds through unsecured loans.

Analytical approach: Combined

For arriving at the ratings of MCPL CARE has changed the analytical approach from 'Standalone' to 'Combined ' (Combined financials of MCPL and MTPL is considered). Both these companies are a part of Millennium group, are engaged in the similar line of businesses and have common promoters.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

[Short Term Instruments](#)

About the company

Incorporated in August 2020, MCPL is a part of Morbi-based Millennium group promoted by Rakesh Rachodbhai Koradiya, Vallabhbai Koradiya and Kunal Dineshbhai Patel. MCPL executed a greenfield project for manufacturing GVT and polished glazed vitrified tiles (PGVT) with a total installed capacity of 56,16,000 square meter per annum (18,720*300 days). The manufacturing facility is located at Bhadiyad Village in Morbi, Gujarat. The company is into manufacturing of glazed vitrified tiles (GVT) of size 600MM x 1200MM.

Combined :-

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Sep 30,2022(Prov.)
Total operating income	NM	46.05	65.95
PBILDT	NM	3.44	NA
PAT	NM	-5.35	NA
Overall gearing (times)	NM	2.32	NA
Interest coverage (times)	NM	1.47	NA

A: Audited Prov: Provisional NM: Not meaningful since none of the companies had commenced operations in FY21 NA: Not available

Standalone Financials of MCPL:-

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Sep 30,2022(Prov.)
Total operating income	NM	46.05	41.24
PBILDT	NM	3.44	6.37
PAT	NM	-5.35	0.62
Overall gearing (times)	NM	4.98	4.64
Interest coverage (times)	NM	1.47	2.50

A: Audited Prov: Provisional NM: Not meaningful since MCPL commenced operations in FY22 NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	Feb 2030	42.93	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	4.50	CARE BB; Stable / CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	4.50	CARE BB; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (07-Mar-22)	1)CARE BB-; Stable / CARE A4 (29-Jan-21)	-
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable	-	1)CARE BB-; Stable (07-Mar-22)	1)CARE BB-; Stable (29-Jan-21)	-
3	Fund-based - LT-Term Loan	LT	42.93	CARE BB; Stable	-	1)CARE BB-; Stable (07-Mar-22)	1)CARE BB-; Stable (29-Jan-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Ujjwal Manish Patel
Phone: 8511193123
E-mail: ujjwal.patel@careedge.in

Relationship contact

Name: Deepak Purshottambhai Prajapati
Phone: +91-79-4026 5656
E-mail: deepak.prajapati@careedge.in

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