Marbilano Surfaces LLP

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	29.45	CARE BB; Stable	Upgraded from CARE BB-; Stable
Short Term Bank Facilities	3.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to long term bank facilities of Marbilano Surfaces LLP (MSL) factors in significant increase in scale of operations with improvement in the capital structure and debt coverage indicators. The rating continued to remain constrained on account of moderate scale of operations with moderate profitability margins. Further, the ratings also continue to remain constrained on account of its stretched liquidity, presence in a highly competitive ceramic industry and fortune linked to demand from cyclical real estate sector, susceptibility of operating margins to volatility in raw material & fuel costs and limited liability partnership nature of constitution. The ratings, however, derive strength from experienced promoters and locational advantage and moderate working capital cycle.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in the scale of operations marked by Total Operating Income (TOI) exceeding Rs.150 crore or improving PBILDT margin above 11% on sustained basis.
- Sustaining capital structure with below unity overall gearing.
- Improvement in debt coverage indicators marked by TDGCA of 2 x or lower and interest coverage exceeding 3 times on sustained basis

Negative Factors

- Decline in total operating income by more than 30% with significant decline in PBILDT margin leading to lower cash accruals.
- Deterioration in leverage position marked by overall gearing ratio above 1.50x and deterioration in tangible net worth
- Increase in working capital intensity resulting in elongation of operating cycle to above 90 days

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings belief that MSL shall sustain its financial risk profile over the medium term and continue to derive benefits from its experienced promoters.

Detailed description of the key rating drivers:

Key weaknesses:

Moderate scale of operations

MSL has been established in December 2020 and started its commercial operations from January 2022. Since then it has exhibited consistent growth MSL's Total Operating Income (TOI) which has increased by 24.73% in FY24, reaching at Rs.128.47 crore as against Rs.103 crore in FY23 due to stabilization of operations. Further, during 9MFY25 (9M refers to April 1st to December 31st) MSL's TOI remained at Rs. 82.04 crore, the marginal decline in revenue during 9MFY25 due to lower offtake from its customers across real estate industry, led to decline in revenue in tiles section. Additionally for a month in August 2024 the plant was shut for maintenance activity.

Declining operating margins albeit remained moderate in FY24

The profitability of MSL remains susceptible to fluctuation in the raw material prices and fuel cost due to high processing period. The PBILDT margin of the firm has declined from 9.50% in FY23 to 7.12% in FY24 on account of the increase in material cost from 43% in FY23 to 53% in FY24 as well as increase in labour cost from 2.45% in FY23 to 5% in FY24. Further, due to stiff competition, being unable to pass on the increased material cost to its customer led to a reduction in the profit margins; however it remained at moderate level. Further, the PAT margin of the firm improved from 0.74% in FY23 to 0.93% in FY24 on a reduction in interest cost and depreciation.

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

Moderate operating cycle
The operation of the firm is working capital intensive in nature which can be reflected in its gross current assets (GCA) which has improved yet remained high at 101 days in FY24 (PY: 133 day) owing to stretched in collection period from 66 days in FY23 to 81 days in FY24 on account of slower recovery of debtors due to slowdown in construction business lead to liquidity crunch in the market. Thus, the operating cycle elongated yet remained moderate at 38 days in FY24 (PY: 23 days). The average maximum utilization of fund based working capital limits stood at 85.87% in past 12 months ended December 2024.

Presence in a highly competitive ceramic industry and fortune linked to demand from cyclical real estate sector
MSL operates in a highly fragmented and competitive ceramic industry marked by presence of large number of organized and unorganized players and low entry barriers which may result in new entrants. Also, most of the demand for tiles comes from the real estate industry, which, in India is highly fragmented and cyclical. Thus, any negative impact on real estate industry adversely affects the prospects of ceramic tiles industry as well as the firm.

Susceptibility of operating margins to volatility in raw material and fuel costs
Prices of raw material, i.e. clay is market driven and put pressure on the margins of tile manufacturers in case of volatility into the same. Another major cost component is fuel expenses in the gas form to fire the furnace. The profitability of MSL remains exposed to volatile LNG prices, mainly on account of its linkages with the international demand -supply of natural gas. Hence any adverse movement in material and fuel prices may impact on the profitability of the firm.

Limited Liability Partnership nature of constitution
Being a partnership firm, MSL is exposed to inherent risk of partners' capital being withdrawn, and firm being dissolved upon the death/retirement/insolvency of partners which may affect financial flexibility of the firm. During FY24, partners have infused the capital of Rs. 0.58 crore.

Key Strengths
Experienced promoters
MSL started as a limited liability partnership firm by Mr. Arvind Becharbhai Soriya and 16 others partners in the year 2021. The promoters possess about three decades of experience in manufacturing vitrified tiles. Their strong understanding of market dynamics and healthy relationships with suppliers and customers will continue to support the business risk profile.

Location advantage
The manufacturing facilities of MSL is in Morbi, Gujarat which is one of the largest ceramic clusters in India. Further, as major ports (such as Kandla and Mundra) are located in the vicinity of Morbi, it also lowers the transportation cost and helps the exporters of ceramic products from that region.

Comfortable capital structure and moderate debt coverage indicators
The capital structure of MSL's improved in FY24 and remained comfortable marked by overall gearing of 0.89 times as on March 31, 2024 (PY: 1.84 times). Improvement was on account of subordination of unsecured loan from related parties as a quasi-equity amounting to Rs.7.85 crore during FY24 as well as reduction in term loan due to schedule repayment and lower utilisation of working capital borrowings.
Debt coverage indicators improved remained moderate during FY24 marked by total debt (TD) to gross cash accruals (GCA) level of 3.79 times (PY: 5.03 times) and interest coverage stood at 2.82 times in FY24 (PY: 2.82 times). Improvement in debt coverage indicators due to reduction in debt level.

Liquidity Position: Stretched
The liquidity position of MSL remained stretched as marked by low cash and bank balances as well as higher utilization of working capital limits. As on March 31, 2024, cash and bank balance remained at Rs. 0.35 crore, while maximum average utilization of working capital limits remained high at 85.87% for past twelve months ended December 2024. However, the cash flow from operating activities (CFO) stood positive and remained at Rs.2.88 crore in FY24 as against positive of Rs.4.70 crore in FY23. GCA remained modest during FY24 at Rs. 6.76 crore and expected to adequate to meet its repayment obligation of Rs. 3.84 crore for FY25. The current ratio and quick ratio stood at 1.56x and 1.37x respectively as on March 31, 2024 (PY: 1.06x; 0.96x).

Applicable criteria:
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch

[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
Short Term Instruments

About the Company and industry

Morbi-based (Gujarat) Marbilano Surfaces LLP (MSL) was incorporated in December 01,2020 as a limited liability partnership firm for manufacturing of Vitrified Tiles which is widely used in construction of various types of buildings. MSL started its commercial operations in January 2022. MSL started manufacturing Glazed Vitrified Tiles with an installed capacity of 139,200 MT. Besides, the firm is a part of Marbilano group wherein its associate firm is into manufacturing glazed vitrified floor and wall tiles.

Industry classification

Consumer Discretionary	Consumer Durables	Consumer Durables	Granites & Marbles
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Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	November 30, 2024 (UA)
Total operating income	103.00	128.47	82.04
PBILDT	9.79	9.15	7.50
PAT	0.76	1.19	NA
Overall gearing (times)	1.84	0.89	NA
Interest coverage (times)	2.82	2.82	NA

A: Audited UA: Unaudited; NA- Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any Other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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

Lender details: Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	4.63	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	April 2029	14.82	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	3.00	CARE A4

Annexure-2: Rating History of 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable	1)CARE BB-; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Mar-24) 2)CARE BB-; Stable (11-Jul-23)	-	-
2	Fund-based - LT-Term Loan	LT	14.82	CARE BB; Stable	1)CARE BB-; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Mar-24) 2)CARE BB-; Stable (11-Jul-23)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A4	1)CARE A4 (04-Apr-24)	1)CARE A4; ISSUER NOT COOPERATING* (04-Mar-24) 2)CARE A4 (11-Jul-23)	-	-
4	Fund-based - LT-Proposed fund based limits	LT	4.63	CARE BB; Stable	1)CARE BB-; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Mar-24) 2)CARE BB-; Stable (11-Jul-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund based limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - 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 instrument: CARE Ratings Ltd. 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.

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About us:
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