



Press Release

Letoza Granito LLP

February 1, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	62.00	IVR BB-/ Stable (IVR double B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	4.00	IVR A4 (IVR A Four)	Assigned	Simple
Long Term/ Short Term Bank Facility	1.00	IVR BB-/ Stable/ IVR A4 (IVR double B minus with Stable outlook and IVR A4)	Assigned	Simple
Total	67.00 (INR Sixty-Seven crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Letoza Granito LLP (LGL) takes into consideration the long experience of the promoters and strategic locational advantage. The ratings, however, are constrained by initial stage of the project and partnership nature of constitution, intense competition and cyclical nature in real estate industry and vulnerability to changes in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the project and to profitably scale-up its operations and efficient management of working capital requirements.

Downward Factors

- The inability to start commercial operations on time and impact of the proposed capex on the credit profile of the company.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of the promoters**

LGL is promoted by Pravinbhai Govindbhai Agola, Mukeshkumar Vaghjibhai Thoriya, Sanjaybhai Vaghjibhai Thoriya along with 35 other partners. Most of the partners have an experience of over a decade in the ceramic tiles industry through their association with group entities in the similar line of business which has given them an understanding of market dynamics. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its suppliers and customers. LGL is likely to benefit by existing marketing and distribution network of associate entities.

- **Strategic Location Advantage**

The company manufacturing plant is located in Morbi which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. Therefore, the company has competitive advantage in easy access to quality raw material at competitive prices and lower transportation cost from Gujrat and parts of Rajasthan.

Key Rating Weaknesses

- **Initial stage of the project and partnership nature of constitution**

The firm is setting up manufacturing unit of vitrified tiles at Morbi, Gujarat with installed capacity of 113,100 Mts. p.a. at an estimated Project Cost Rs. 86.00 Crore. The project cost financed by partner's contribution of Rs. 30.00 crore, bank financing of Rs. 47.00 crore and friends and relatives of Rs. 9.00 crore. The firm has acquired land and has started the construction of factory shed. Most of the machinery have been imported and installation of the same is in progress. The firm's operation is expected to commence in April 2022.

- **Partnership nature of constitution**

LGL is exposed to the capital withdrawal risk on account of partnership nature of concern.



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- **Intense competition and cyclical nature in real estate industry**

The tile manufacturing industry is characterised by intense competition due to consequent low entry barriers, easy availability of raw material, limited initial capital investment, which results in limiting the pricing flexibility resulting in pressure on company's revenue and margins. LGL faces direct competition from the large and organised players who have better brand visibility. Further sale of tiles is also linked to demand from real estate sector, which is cyclical in nature.

- **Vulnerability to changes in raw material prices**

The ceramic tile industry are highly raw material intensive nature of operations, which determine the cost competitiveness and company's profitability in the industry. Due to little control over the movement of raw material prices, the company is exposed to raw material price fluctuations impacting the cost structure and margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

LGL's liquidity profile seems adequate in the medium term. However, the entire cash flows depend upon the timely beginning of the commercial operation of the plant which is expected to start from April 2022. Overall, the company's liquidity remains adequate marked by expected cash accruals of Rs. 11.59 crore, Rs. 10.88 crore and Rs. 11.16 crore in FY2023, FY2024 and FY2025, respectively, which is sufficient to meet annual repayment obligations of about Rs 4.05 crore, Rs. 5.40 crore and Rs. 6.00 crore in FY2023, FY2024 and FY2025 respectively.

About the Company



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Letoza Granito LLP (LGL) was established in November 2020 as limited liability partnership with 38 partners. The firm is setting up a manufacturing plant in Wankaner, Morbi district, Gujarat, to manufacture vitrified tiles, with an annual production capacity of ~113,100 metric tonnes.

Financials (Standalone):

For the year ended* / As on	31-March-20 (Audited)	31-March-21 (Audited)
Total Operating Income	-	-
EBITDA	-	-
PAT	-	-
Total Debt	-	-
Tangible Net-worth	-	-
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio (x)	-	-

*Classification as per Infomerics' standards

The commercial operations of the company are expected to start in FY23 and hence no financial information is available.

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	47.00	IVR BB-/Stable	-	-	-
2.	Cash Credit	Long term	15.00	IVR BB-/Stable	-	-	-
3.	Bank Guarantee	Short Term	4.00	IVR A4	-	-	-
4.	Export Packing Credit/FBD	Short Term	(5.00)*	IVR A4	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
5.	Derivatives/ Forward Contract/ CEL	Short Term	(0.34)*	IVR A4	-	-	-
6.	Unallocated Limits	Long/Short Term	1.00	IVR BB-/ Stable/ IVR A4	-	-	-

*Sub-limit of Cash Credit

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About Infomerics:

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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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2029	47.00	IVR BB-/ Stable
Cash Credit	-	-	-	15.00	IVR BB-/ Stable
Bank Guarantee	-	-	-	4.00	IVR A4
Export Packing Credit/FBD	-	-	-	(5.00)*	IVR A4
Derivatives/ Forward Contract/ CEL				(0.34)*	IVR A4
Unallocated Limits	-	-	-	1.00	IVR BB-/ Stable/ IVR A4

* Sub-limit of cash credit

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Letoza-Granito-lenders-feb22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.