



Press Release

Comet Granito Private Limited

June 9, 2022

Ratings

| Facility | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|---|--|--|---------------|--|
| Long Term- Fund Based Bank Facilities | 355.50 (increased from Rs.46.71 crore) | IVR BBB/ Stable (IVR Triple B with Stable Outlook) | Reaffirmed | Simple |
| Short Term- Bank Facilities | 90.00 (increased from Rs.25.10 crore) | IVR A3+ (IVR A Three Plus) | Reaffirmed | Simple |
| Total | 445.50 (Rupees Four Hundred Forty Five crore and Fifty lakh only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Comet Granito Private Limited (CGPL) derives strength from its experienced promoters, comfortable financial risk profile and strategic location advantage. The ratings are, however, constrained on account of the cyclicity in real estate industry and vulnerability to changes in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations and cash accruals along with operating cycle and debt protection metrics

Downward Factors

- Higher than anticipated debt avilment impacting credit metrics substantially
- Significant stretch in profitability and working capital cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Well experienced promoters in the ceramic tiles industry



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The promoters have over 15 years of experience in the ceramic tile industry which not only has enabled the company to scale up in the past fiscals but also garner repeat orders from its customers while procuring raw material from its suppliers at adequate terms. The promoters are backed by an adequate team of personnel having sound experience.

Location advantage given the presence in the ceramic cluster of Morbi, Gujarat

CGPL is located in the ceramic cluster of Morbi, Gujarat which accords it the location advantage in terms of raw material availability (Gujarat and Rajasthan) also effecting on the logistic costs as also skilled labour. Further, vicinity to Gandhidham sea port also provides necessary access for exports. Morbi, further remains well connected with the rest of the country through rail and road network.

Comfortable financial risk profile

The total operating income of the company grew significantly from Rs.257.98 crore in FY20 to Rs.453.83 crore in FY21 as a result of higher export sales. The buoyancy in the sales is likely to continue in the near term. CGPL has achieved revenue of Rs.606.00 crore in FY22 (provisional).

The company's overall gearing ratio (including quasi equity) and long-term debt to equity ratio (including quasi equity) stood comfortable at 0.47x and 0.30x respectively as on March 31, 2021 and 0.86x and 0.59x respectively as on March 31, 2022 (provisional). The debt protection metrics also remained comfortable with interest coverage ratio and total debt/GCA at 8.90x and 1.29 years respectively in FY21 and 13.45x and 3.04 years respectively in FY22 (provisional).

Key Rating Weaknesses

Intense competition and cyclicity 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. Further sale of tiles is also linked to demand from real estate sector (key consuming sector), which is cyclical in nature.



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Vulnerability to changes in raw material prices:

Major manufacturing cost component in ceramic tile industry are raw material (clay) and power, fuel 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. Hence, the operating margin has been declining marginally.

Analytical Approach: Standalone

Applicable Criteria

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Trading Companies](#)

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

Liquidity – Adequate

The company's liquidity is likely to remain adequate given the expected cash accruals in the range of Rs.41.41 crore to Rs.76.13 crore in the period of FY22-24 as against the repayments of Rs.0.71 crore to Rs.27.79 crore. The free cash balance as on March 31, 2021 stood at Rs.1.44 crore while average working capital utilisation for the 12 months ended December 2021 remained at ~53%.

About the Company

CGPL, incorporated in 2006, is in the manufacturing of tiles business and it sells its products under the brand name 'Granicer'. CGPL is situated at Morbi, Gujarat, which is the second largest cluster in the world and largest in India for tiles manufacturing business. The company's core business is manufacturing; however, it also undertakes trading business for orders in excess of its manufacturing capacity. The company is promoted by Mr. Prashantbhai Virjibhai Bhalodia. The company does major exports to Saudi Arabia and it has a special mention in the gazette where a lower anti-dumping duty (issued by GCC (Gulf Cooperation Council) of 17.6% is levied on the company, whereas the standard for the industry is 46%)



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which indicates that the company has an added advantage when compared to its competitors thus leading to higher export sales.

Financials (Standalone):

| (Rs. crore) | | |
|---------------------------|------------|------------|
| For the year ended*/As on | 31-03-2020 | 31-03-2021 |
| | Audited | Audited |
| Total Operating Income | 257.98 | 453.83 |
| EBITDA | 10.59 | 21.53 |
| PAT | 4.86 | 16.49 |
| Total Debt | 35.01 | 29.67 |
| Tangible Net Worth | 46.94 | 62.51 |
| EBITDA Margin (%) | 4.10 | 4.75 |
| PAT Margin (%) | 1.84 | 3.54 |
| Overall Gearing Ratio (x) | 0.75 | 0.47 |

Status of non-cooperation with previous CRA: Vide Press release dated July 01, 2021, CARE Ratings has moved the ratings to non-cooperation category.

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|---------|----------------------------|--------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 (February 16, 2022) | Date(s) & Rating(s) assigned in 2020-21 (November 26, 2020) | Date(s) & Rating(s) assigned in 2019-20 |
| 1. | Long term Bank Facilities | Long Term | 355.50 | IVR BBB/ Stable | IVR BBB/ Stable | IVR BBB-/ Stable | - |
| 2. | Short term Bank Facilities | Short Term | 90.00 | IVR A3+ | IVR A3+ | IVR A3 | - |

Name and Contact Details of the Rating Analyst:

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|---|---|
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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|-------------------------------|------------------|------------------|------------------|------------------------------|--------------------------|
| Cash Credit | - | - | - | 125.00 | IVR BBB/ Stable |
| Term Loan | - | - | October 31, 2029 | 230.00 | IVR BBB/ Stable |
| CCECL | - | - | - | 0.50 | IVR BBB/ Stable |
| Bill Discounting backed by LC | - | - | - | 50.00 | IVR A3+ |
| Forward Cover | - | - | - | 20.00 | IVR A3+ |
| Bank Guarantee | - | - | - | 20.00 | IVR A3+ |



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

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Lender-Comet-09-06-22.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.

