



## Press Release

### Comet Granito Private Limited (CGPL)

June 11, 2024

#### Ratings

Details of Facilities are in Annexure 1

Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term- Fund Based Bank Facilities	425.26 (Increased from 405.50)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term- Bank Facilities	40.00 (Reduced from 90)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Proposed Long Term- Fund Based Bank Facilities	30.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Proposed Short Term- Bank Facilities	58.91	IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>554.17</b> <b>(Rupees Five Hundred and Fifty Four Crore and Seventeen lacs Only)</b>			

#### Detailed Rationale

The reaffirmation of the ratings to the bank facilities of Comet Granito Private Limited (CGPL) factors in experienced promoters, comfortable debt protection metrics and moderate capital structure, strategic shift of the company towards manufacturing sales 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.



## Press Release

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustainable improvement in the scale of operations coupled with increase in profit margins of the company
- Improvement of working capital cycle on a sustained basis.

#### **Downward Factors**

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company.
- Significant stretch in working capital cycle
- Any unplanned capex lead to deterioration of overall capital structure and debt-protection metrics of the company

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Well experienced promoters in the ceramic tiles industry**

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.

- **Comfortable debt protection metrics and moderate capital structure**

CGPL's capital structure remained moderate in FY23 (Period refers to April 1<sup>st</sup> 2022 to March 31<sup>st</sup> 2023). Adj. overall gearing ratio of the company stood at 1.89x as on March 31<sup>st</sup> 2023 compare to 1.08x as on March 31<sup>st</sup> 2022. Interest Coverage Ratio of the company stood at 3.61x in FY23. CGPL has reported estimated Adj. overall gearing and DSCR of 1.91x and 1.42x, respectively as on March 31<sup>st</sup> 2024.



## Press Release

- **Improvement in EBITDA margin of the company due to strategic shift of the company**

Company has started manufacturing premium products with its enhanced installed manufacturing capacity in FY24 (Period refers to April 1, 2023 to March 31, 2024). Company has increased its installed capacity to 285000 MT/Annum as new plant has been operationalized during FY24. CGPL's EBITDA margin improved in FY23 to 11.71% from 7.85% in FY22. Further company's estimated EBITDA margin improved to 17.97% in FY24 (period refers to April 1<sup>st</sup> 2023 to March 31<sup>st</sup> 2024).

- **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.

### **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.

#### **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.



## Press Release

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Trading Companies](#)

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

[Criteria on default recognition](#)

### **Liquidity – Adequate**

The liquidity position of the company remained adequate marked by sufficient cash accruals vis-à-vis repayment obligations. The company maintained unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2023. Further, the current ratio and quick ratio stood at 1.09x and 0.80x as on March 31, 2023. Company's estimated current ratio stood 1.08x as March 31<sup>st</sup> 2024. The average utilization of cash credit stood at 80.00% for twelve months ended March 2024.

### **About the Company**

CGPL, incorporated in 2006, is in the trading and 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.

### **Financials (Standalone)**

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	626.30	646.74
EBITDA	49.18	75.76
PAT	29.36	29.32
Total Debt	147.07	364.03
Tangible Net Worth (Adj.)	136.06	192.51
<b>Ratios</b>		
EBITDA Margin (%)	7.85	11.71
PAT Margin (%)	4.67	4.53
Overall Gearing Ratio (Adj.(x))	1.08	1.89

\*As per Infomerics' standards



## Press Release

**Status of non-cooperation with previous CRA:** CARE Ratings has continued the ratings in non-cooperation category vide Press release dated December 6, 2023 due to non-submission of information for monitoring and not paid the surveillance fees for the rating exercise.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
						April 12, 2023	(December 2, 2022) (June 9, 2022)	
1.	Long Term Fund Based Facilities	Long Term	425.26	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable
2.	Proposed Long Term Fund Based Facility	Long Term	30.00	IVR BBB/ Stable	-	-	-	-
3.	Short Term Non Fund Based	Short Term	40.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+	IVR A3+
4.	Proposed Short Term Bank Facilities	Short Term	58.91	IVR A3+	-	-	-	-

**Name and Contact Details of the Analytical department:**

Name: Jalaj Srivastava
Tel: (079) 40393043
Email: <a href="mailto:jalaj.srivastava@infomerics.com">jalaj.srivastava@infomerics.com</a>



## Press Release

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors in addition to the financial performance and other relevant factors.





## Press Release

### 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	-	-	-	165.00	IVR BBB/ Stable
Term Loan	-	-	October 31, 2029	260.26	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	30.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	20.00	IVR A3+
Forward Covers	-	-	-	20.00	IVR A3+
Proposed Short Term Non Fund Based Limits	-	-	-	58.91	IVR A3+

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-comet-june24.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](http://www.infomerics.com).