



## Press Release

### Comet Granito Private Limited

February 16, 2022

#### Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long term Bank Facilities	46.71 (increased from Rs. 26.18 crore)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Revised from IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)	Simple
Short term Bank Facilities	25.10 (reduced from Rs. 65.33 crore)	IVR A3+ (IVR A Three Plus)	Revised from IVR A3 (IVR A Three)	Simple
<b>Total</b>	<b>71.81</b> <b>(INR Seventy-One Crore and Eighty One Lakhs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The upgrade in the ratings is driven by company's improved financial risk profile mainly on account of improved revenue and profit growth, experienced promoters and strategic location advantage. However, rating is constrained on account of 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



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

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

The promoters have an 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.

- **Substantial revenue growth in FY2021**

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 reported Rs. 471.63 crore sales in 9MFY2022.

- **Comfortable financial risk profile**

The company's overall gearing ratio stood comfortable at 0.47x and long-term debt to equity ratio at 0.30x in FY2021. The debt protection metrics also remained moderate with ISCR at 8.90x and total debt/GCA (years) at 1.29.

#### 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.



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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.

**Analytical Approach:** Standalone

**Applicable Criteria**

[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 FY2022 -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**

Comet Granito Private Limited (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



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for the industry is 46%) 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
	<b>Audited</b>	<b>Audited</b>
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 and November 30, 2021, CARE and CRISIL Ratings have moved the ratings to non-cooperation category.**

### Any other information:

#### Rating History for last three years:

Sr. No.	Name of 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.	Long term Bank Facilities	Long Term	46.71 (increased from Rs. 26.18 crore)	IVR BBB / Stable	IVR BBB- / Stable (November 26, 2020)	--	--
2.	Short term Bank Facilities	Long Term	25.10 (reduced from Rs. 65.33 crore)	IVR A3+	IVR A3 (November 26, 2020)	--	--



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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	-	-	-	43.00	IVR BBB / Stable
Term Loans	-	-	June, 2025	1.91	IVR BBB / Stable
CECL	-	-	Sept, 2022	1.80	IVR BBB / Stable
Bill Discounting backed by LC	-	-	-	10.00	IVR A3+



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Forward Cover	-	-	-	10.00	IVR A3+
Bank Guarantee	-	-	-	5.10	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/Comet-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](http://www.infomerics.com).