



Press Release

Cruso Granito Pvt Ltd

October 17, 2022

Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	54.09 (Reduced from Rs.56.60 crore)	IVR B+/Stable [IVR Single B plus with Stable Outlook]	Revised to IVR D from IVR BB/Stable and simultaneously upgraded to IVR B+/Stable	Simple
2	Short Term Bank Facilities	4.50 (Enhanced from Rs. 3.00 crore)	IVR A4 [IVR A Four]	Revised to IVR D from IVR A4 and simultaneously upgraded to IVR A4	Simple
	Total	58.59			

Details of facilities are in Annexure 1

Rating Rationale.

The revision in the ratings of the bank facility of Cruso Granito Pvt Ltd follows the irregularity in debt servicing by the firm in the past. The debt servicing has been regularised thereafter and the ratings have been simultaneously upgraded.

The ratings assigned to the bank facilities of Cruso Granito Pvt Ltd factor in moderate scale of operations and decline in profitability, leveraged capital structure and weak debt coverage indicators, elongated operating cycle, intense competition and cyclicity in real estate industry and vulnerability to changes in raw material prices. The ratings however continue to draw strength from extensive experience of the promoters and strategic location advantage.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**



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- Substantial & sustained improvement in scale of operations and/or profitability leading to improvement in debt protection metrics.
- Improvement in the operating cycle.
- **Downward Rating Factor:**
 - Decline in revenue or operating profitability, leading to lower net cash accrual
 - Deterioration in the capital structure and debt coverage indicators
 - Further stretch in the operating cycle weakening the liquidity

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the promoters: CGPL is promoted by Ramoji Group and Vita Group, engaged in manufacturing of ceramic tile(vitrified tiles i.e. Soluble Salt, Double Charged, Twin Charged and Glazed Vitrified Tiles) of small size and having presence in the industry from 2003. The company was established under the guidance of Mr. Devendra B. Patel, Mr. Dharam P. Chatrola and Mr. Anand R. Vadhadia who has over a decade of experience in tiles industry through their association with group entities in a similar line of business has given them an understanding of market dynamics. The promoter is supported by a highly qualified and trained team to run day to day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its suppliers and customers. CGPL is benefitted by existing marketing and distribution network of associate entities.

Strategic Location Advantage: The company's 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 terms of easy access to quality raw material at competitive prices and lower transportation cost from Gujrat and parts of Rajasthan.

Key Rating Weaknesses

Moderate Scale of Operations and decline in profitability: TOI of the company has decreased by ~41% in FY22 (Prov.) to Rs. 52.51 crore compared to Rs. 94.55 crore in FY21 due to lower demand in the domestic and export markets on account of Covid-19. EBITDA margin of the company has reduced to 4.85% in FY22 (Prov.) compared to 15.24% in FY21. The company has incurred net loss in FY22 (Prov.) due to decline in operating profitability.



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GCA of the company has remained at Rs. 2.76 crore for FY22 (Prov.) compared to Rs. 10.22 crore in FY21.

Leveraged capital structure and weak debt coverage indicators: Overall gearing of the company deteriorated to 2.76x as on March 31, 2022, compared to 2.04x as on March 31, 2021, due to increase in the debt level and decrease in the net worth as the company has incurred net losses in FY22 (Prov.). TOL/TNW of the company has also deteriorated to 3.73x as on March 31, 2022, compared to 2.20x as on March 31, 2021. ISCR of the company has remained at 0.79x in FY22 (Prov.) compared to 2.95x in FY21; deteriorated due to decrease in the operating profits. Total Debt/GCA of the company has deteriorated to 21.24x in FY22 (Prov.) compared to 4.72x in FY21 due to increase in debt and decline in gross cash accruals.

Elongated operating cycle: Operating cycle of the company has increased to 234 days in FY22 (Prov.) compared to 141 days in FY21 due to increase in the collection and inventory period with a decline in scale of operations.

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. CGPL 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

Major manufacturing cost component in ceramic tile industry are raw material (body clay and feldspar) and power, fuel (CGPL uses Natural Gas) 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](#)



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

[Criteria of assigning Rating Outlook.](#)

Liquidity: Poor

The liquidity position of the company remains poor on account of instance of delay in debt servicing in the recent past. Further, overall utilisation of the fund-based limits remained high at 98% during the last 12 months ended July 2022 with instances of over drawings in two months and operating cycle of the company has increased from 141 days in FY21 to 234 days in FY22 (Prov.) due to increase in the inventory and collection period. Cash accruals are expected to remain tightly matched to the debt repayment obligations. The current ratio stood at 1.17 times as on 31st March 2022. The unencumbered cash and bank balances remained at Rs. 0.33 crores as on 31st March 2022 which increased from Rs. 0.08 crore as on March 31, 2021.

About the Company

Cruso Granito Private Limited (CGPL) was incorporated in May 2016 by Ramoji Group and Vita Group who has presence in ceramic industry since 2003. CGPL was set up with the objective to manufacture Glaze Verified Tiles (GVT) of large sizes and commenced its commercial operations from April 2018. CGPL is engaged in the manufacturing of GVT in size variants -1200mmX2400mm, 1200mmX1200mm, 800mmX1600mm ,800mmX800mm and 600mmX1200mm at manufacturing plant located in Morbi, Gujrat with an installed capacity of producing 50,000 MT per annum. The company sells its product under its own brand “Cruso” through distributors / dealers network on pan India basis and exports mainly to Latin America and Kuwait. CGPL is managed by Mr. Devendrabhai Patel, Mr. Anand Rameshbhai Vadhada, and Mr Dharam Pragjibhai Chatrla who have extensive experience in the ceramic industry. Cruso Granito Private Limited (CGPL) is a part of the group which is engaged in Ceramic industry since 2003. The group consists of 7 companies engaged in ceramic tiles manufacturing as well as other industries and has product mix i.e. Soluble Salt, Double Charged, Twin Charged and now added glazed verified tiles.

Financials (Standalone)

INR in Crore

For the year ended* As on	31-03-2021	31-03-2022
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	Audited	Provisional
Total Operating Income	94.55	52.51
EBITDA	14.41	2.55
PAT	0.56	-5.99
Total Debt	48.24	60.24
Tangible Net Worth	27.47	21.79
EBITDA Margin (%)	15.24	4.85
PAT Margin (%)	0.59	-10.71
Overall Gearing Ratio (x)	2.04	2.76

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: The ratings of Cruso Granito Pvt Ltd have been classified under Issuer Not Cooperating category by CARE Ratings as per Press Release dated October 14, 2022, due to unavailability of information.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (August 13, 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 25, 2020)	Date(s) & Rating(s) assigned in 2019-20
Long Term Bank Facilities	Long Term	54.09	IVR B+/Stable	IVR BB/Stable	IVR BB/Stable	-
Short Term Bank Facilities	Short Term	4.50	IVR A4	IVR A4	IVR A4	-

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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



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	-	-	-	15.00	IVR B+/ Stable
Long Term Bank Facility-Term Loan	-	-	FY2027	23.10	IVR B+/Stable
Long Term Bank Facility-Term Loan	-	-	FY2028	5.99	IVR B+/Stable
Long Term Bank Facility-Term Loan	-	-	FY2028	10.00	IVR B+/Stable
Short Term Bank Facility-Bank Guarantee	-	-	-	4.50	IVR A4

Annexure 2: List of companies considered for consolidated analysis; NA

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-CGPL-oct22.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.