



## Press Release

**Cruso Granito Private Limited**

**Aug 13, 2021**

### **Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
1.	Long Term Bank Facilities	56.60	IVR BB/Stable Outlook (IVR Double BB with Stable Outlook)	Reaffirmed
2.	Short Term Bank Facilities	3.00	IVR A4 (IVR A Four)	Reaffirmed
	<b>Total</b>	<b>59.60 (Fifty nine crores and sixty lacs only)</b>		

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of Cruso Granito Private Limited (CGPL) continues to draws comfort from its experienced and resourceful promoters, strategic location of manufacturing plant and modest scale of operations with improvement in capital structure and moderate financial risk profile. However, these rating strengths are partially offset by nascent stage, moderate working capital intensive nature of operations and exposure to regulatory risk and foreign currency fluctuation. The rating also considers notes intense competition in tiles industry, cyclicity in real estate industry and vulnerability to change in raw material prices

### **Key Rating Sensitivities:**

#### **Upward Factor:**

- Substantial & sustained improvement in scale of operations and/or profitability leading to improvement in debt protection metrics.

#### **Downward 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 over 200 days, weakening the liquidity



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strength

##### **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 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 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.

##### **Modest Scale of Operation:**

The Company's total operating income has improved up to Rs. 41.80 crore in FY19 to Rs. 86.62 Crs in FY20 to Rs 94.24crore in FY21(Prov), on account of efficient capacity utilization and work orders received from existing and new customers. With improvement in TOI during the aforesaid period enables the company to stably maintain EBIDTA margins at ~14.45% ,however PAT margin remain below unity. CGPL has generated adequate cash generation to repay it's debt obligations.



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### **Improvement in the capital structure and moderate financial risk profile**

CGPL has witnessed gradual improvement in its capital structure over the last three account closing dates backed steady increase in operations during the aforesaid period (FY19-FY21), scheduled repayment of term debt obligations and accretion of profit to net worth. The financial risk profile of the company remained moderate over the years marked by its moderate long term debt equity ratio and overall gearing ratio at 0.91x and 1.30x as on March 31, 2021(Prov)(0.95x,1.34x in FY20). The debt protection metrics of the company remained moderate marked by interest coverage of 2.61x as on March 31, 2021(Prov).

### **Key Rating Weaknesses**

#### **Moderate working capital intensive operation**

Operations are working capital intensive, as reflected in operating cycle of 133 days as on March 31, 2021(Prov) on account of 120-140 days credit to customers and inventory of 70-83 days. Going forward, the working capital requirement will remain large. The company has utilized ~92% of working capital in 12 months ended April, 2021. The current and quick ratios remained moderate at 1.38x and 1.02x respectively as on March 31, 2021(Prov).

#### **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), power and 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 margin's.



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### **Exposure to regulatory risk and foreign currency fluctuation**

CGPL, like other players in the ceramic tile industry, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, implementation of GST, changes in import, custom duty, ban on usage of coal in Gujrat, imposition of anti-dumping duty on Chinese tiles etc. The company derived ~ 53% of its sale in FY21(Prov) from export (47% of its sale from exports in FY20). CGPL is exposed to foreign currency fluctuations.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity – Adequate**

Cruso Granito Private Limited started its commercial operations on April 2018, and its 3<sup>rd</sup> year of operations has earned GCA of Rs. 9.32 crore with repayment of Rs 4.35 crore in FY21(Prov). The company has utilised bank facility at 93% on an average of 12 months ended April 2021. Current ratio stood at 1.38 times with cash and bank balance of Rs. 0.06 crore as on March 31, 2021(Prov). The company has expected cash accrual of Rs 11.15- 11.52 crore per fiscal will sufficiently cover yearly term debt obligation of Rs 7.79 crore over the medium term

### **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.



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Cruso Granito Private Limited (CGPL) is a part of the group 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):

For the year ended*/As on	(Rs. crore)	
	31-03-2020 Audited	31-03-2021 Provisional
Total Operating Income	86.62	94.24
EBITDA	17.62	13.62
PAT	1.42	0.84
Total Debt	49.77	48.23
Tangible Net worth	37.03	37.17
EBITDA Margin (%)	20.35	14.45
PAT Margin (%)	1.63	0.88
Overall Gearing Ratio (x)	1.34	1.30

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Issuer not cooperating by Care Ratings vide press release dated July 6,2020 due to non-availability of adequate information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021 (Dated Jun 25, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	40.35	IVR BB/Stable Outlook	IVR BB /Stable Outlook	-	-
2.	Covid loan	Long Term	1.25	IVR BB/Stable Outlook	IVR BB/Stable Outlook	-	-
3.	Cash Credit	Long Term	15.00	IVR BB/Stable Outlook	IVR BB/Stable Outlook	-	-





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4.	Bank Guarantee	Short Term	3.00	IVR A4	IVR A4	--	--

**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).

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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
Long Term Bank Facilities – Term Loan	-	-	-	40.35	IVR BB/ Stable Outlook
Long Term Bank Facility-Covid Loan	-	-	-	1.25	IVR BB/ Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.00	IVR BB/ Stable Outlook
Short Term Bank Facilities-Bank Guarantee	-	-	-	3.00	IVR A4

### Annexure-2: Facility Wise Lender Details

<https://www.infomerics.com/admin/prfiles/lender-cruso-13-aug-21.pdf>