



Press Release

Sri Venkatesh Granites Private Limited **September 2, 2024**

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	18.47	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A three)	-	Assigned	Simple
Total	20.47 (INR Twenty crore and forty seven lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Sri Venkatesh Granites Private Limited (SVGPL) considers strong promoter group, increase in topline and profit in FY24 (prov) (refers to period between April 1, 2023, to March 31, 2024) and Q1FY25 (prov), moderate capital structure and adequate debt protection metrics. The rating is, however, constrained by exposure to intense competition, high geographical concentration, vulnerability of operating margin to fluctuations in foreign exchange (forex) rates.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in topline and profitability leading to rise in gross cash accruals on a sustained basis
- Improvement in the capital structure on a sustained basis
- Improvement in working capital cycle, thus improving liquidity

Downward Factors

- Dip in operating income and/or moderation in profitability impacting the cash accruals and deterioration in debt protection metrics
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong promoter group**

The promoter of the Group, has more than two decades of experience in the granite quarrying and export business, which has helped the Group establish its business in the domestic and export markets.

- **Increase in topline and profit in FY24 (prov) and Q1FY25 (prov)**

Topline increased in FY24 (Prov) to Rs. 141.80 crore from Rs. 138.80 crore in FY23 (refers to period between April 1, 2022, to March 31, 2023), due to increase in sales volume. EBITDA increased in each of the past three fiscal years. In FY24 (prov), PAT increased by 50.92% due to decline in depreciation. Further in Q1FY25 (prov) the group reported revenues of Rs. 37.26 crore which was up 26.92% y-o-y. Led by an increase in topline, EBITDA and PAT also increased on a y-o-y basis. Infomerics notes that a sustained increase in topline and profit will be a key rating monitorable going ahead.

- **Moderate capital structure and adequate debt protection metrics**

The group's capital structure consisted of Rs. 9.09 of unsecured loans which was considered as quasi equity. The networth of the group improved to Rs. 40.93 crore as on March 31, 2024, compared with Rs. 37.84 crore as on March 31, 2023, due to accretion of profit to reserves. On combined basis, the group's capital structure improved compared on a y-o-y basis, marked by overall gearing at 1.40x as on March 31, 2024 (prov) compared with 1.62 times as of March 31, 2023, due to decline in term loan. The total indebtedness of the group marked by TOL/TNW was 1.90 times as on March 31, 2024 (prov) compared with 2.18 times as of March 31, 2023, long term debt equity was 0.64 times as on March 31, 2024 (prov) which improved from 0.78 times as on March 31, 2023. Debt protection metrics looked adequate with Interest coverage ratio of 2.83 times in FY24 (prov) compared with 3.53x in FY23. The slight deterioration in ISCR was due to increase in interest cost and bank charges. Total debt to NCA improved to 4.69x in FY24 (prov) compared with 4.73x in FY23, due to decline in total debt. DSCR was 1.61x in FY24 (prov) compared with 1.42 times in FY23.



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Key Rating Weaknesses

- **Elongated working capital cycle**

The working capital cycle of the company remained high due to high inventory period and well as a little elongated debtors collection period. Moreover, the credit period granted to the company by its suppliers is generally 30-40 days, as against collection period and inventory period of 60-70 days and 90-110 days.

- **Exposure to intense competition**

The group is a relatively small player in the granite industry and remains exposed to intense competition because of capital intensity and high fragmentation. Also the granite industry witnesses intense competition among players from the domestic and overseas countries as well as from other substitute products. Further, the revenues are vulnerable to factors such as the performance of the housing real estate sector in the export markets and the highly fragmented nature of the granite processing industry with intense competition, which leads to limited pricing flexibility.

- **High geographical concentration**

The geographical concentration risk is high as the group mainly exports granite blocks to China. The group's 75% of the revenues came from China in FY24 (prov) and more than 90% in FY23. Nonetheless, the Group has established relationships with customers in the export market, which led to repeat orders over the years.

- **Vulnerability of operating margin to fluctuations in foreign exchange (forex) rates**

Majority of the revenue comes from exports, and the company does not completely hedge its forex receivables. Consequently, profitability tends to fluctuate with volatility in forex rates. This will remain as a monitorable.

Analytical Approach: Combined

For the purpose of rating we have considered consolidated financial statements of SVG Group which includes its other group companies. This is because these companies, collectively referred to as the SVG Group, are under control of same promoters, have business and



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financial linkages. The companies are Sri Venkatesh Granites Private Limited, SVG International Private Limited and SVG Carriers and Logistics.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Consolidation of companies](#)

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

Liquidity – Adequate

The group's liquidity remains adequate marked by expected cash accruals in FY2025 to FY2027, which is sufficient to meet annual repayment obligations in that period. The bank limit utilization on overall CC limit, remain high at an average of ~84% over the 12 months ended July 2024. However, no major debt funded capital expenditure plans gives some support to the liquidity position.

About the company

Sri Venkatesh Granites Private Limited (SVGPL) was established in 2002 as a partnership firm by Mr. Venugopal Karwa and Mr. Bhagwan Das Karwa and later transitioned into a private limited company in 2008. Situated in Karimnagar, Telangana, the company is engaged in the drilling and extraction of high-quality rough granite blocks from quarries. The company operates 12 quarries spread across 60 acres of land in and around Karimnagar and has an overall installed capacity of 50,000 MT of rough granite blocks. The company has 10 quarries on lease which have an expiry of 10-15 years.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	86.32	84.63
EBITDA	13.21	11.67
PAT	0.85	1.03
Total Debt	38.38	34.14
Tangible Net Worth	29.57	30.64
EBITDA Margin (%)	15.30	13.79
PAT Margin (%)	0.98	1.22
Overall Gearing Ratio (x)	1.30	1.11
Interest Coverage (x)	3.79	3.10

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Acuite Ratings continued to keep the rating of SVGPL under the Issuer Non-Cooperating category on account of inadequate information for undertaking review and lack of management cooperation, as per the Press Release dated January 29, 2024.

Crisil Ratings migrated the rating of SVGPL under the Issuer Non-Cooperating category on account of inadequate information for undertaking review and lack of management cooperation, as per the Press Release dated December 27, 2023.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024- 2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
1.	GECL	Long Term	2.47	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	16.00	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	1.00	IVR A3	-	-	-
4.	FDBP/FDBD	Short Term	1.00	IVR A3	-	-	-



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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.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	October 2027	2.47	IVR BBB-/ Stable
Cash Credit	-	-	-	-	16.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	1.00	IVR A3
FDBP/FDBD	-	-	-	-	1.00	IVR A3

Annexure 2: Facility wise lender details: [Microsoft Word - Facility wise lender name SNSIPL.docx \(infomerics.com\)](#)

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for Combined analysis:

Name of the company	Consolidation Approach
Sri Venkatesh Granites Private Limited	Full consolidation
SVG International Private Limited	Full consolidation
SVG Carriers and Logistics	Full consolidation

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.