



Press Release

Comet Granito Private Limited

November 26, 2020

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	26.18	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Assigned
Short Term Bank Facilities	65.33	IVR A3 (IVR Single A Three)	Assigned
Total	91.51 (Ninety-one crores and fifty-one lakhs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Comet Granito Private Limited factors experienced promoters, strategic location advantage, and moderate financial profile. However, rating is constrained on account of intense competition and cyclicity in real estate industry and vulnerability to changes in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in scale of operations leading to improvement in debt protection metrics.

Downward Factors

- Any decline in scale of operations leading to deterioration in debt protection metrics



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and resourceful promoters:

The promoters have an experience of over 15 years in the ceramics industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with customers. This has led to steady growth in revenue of Rs. 257.98 crores in FY2020

Strategic Location Advantage:

The company's manufacturing plant is located in Morbi (Gujarat) which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. As the manufacturing facilities are in Morbi, Gujarat, the firm benefits from easy access to clay (main raw material), infrastructure (such as gas and power), and availability of contractors and skilled labour.

Moderate financial risk profile:

The company's overall gearing ratio stood comfortable at 0.75x and long term debt to equity ratio at 0.39x in FY2020. The debt protection metrics also remained moderate with ISCR at 3.75x and total debt/GCA (years) at 3.10x.

Key Rating Weaknesses

Intense competition and cyclical nature 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



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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 Manufacturing

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity is considered to be adequate as reflected from its gross cash accruals of Rs. 11.29 crores in FY2020 as against CPLTD of Rs. 2.43 crores. The maximum monthly utilisation stood at 89.44% for the past 12 months period till Aug.2020.

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.



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Financials (Standalone):

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020*
	A	A	Provisional
Total Operating Income	168.21	187.82	257.98
EBITDA	8.02	11.05	10.59
PAT	3.31	3.65	4.86
Total Debt	41.85	42.19	35.01
Adjusted Tangible Net worth	38.03	42.08	46.94
Ratios			
EBIDTA Margin	4.77	5.88	4.10
PAT Margin	1.92	1.90	1.84
Overall Gearing ratio	1.10	1.00	0.75

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

CRISIL Ratings in their press release dated September 14th, 2020 have classified Comet Granito Private Limited as ISSUER NOT COOPERATING.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long term	6.38	IVR BBB-/Stable	-	-	-
2	Cash credit	Long term	18.00	IVR BBB-/Stable	-	-	-
3	Covid 19 Emergency Credit Line (CCEL)	Long term	1.80	IVR BBB-/Stable	-	-	-
4	Bank Guarantee	Short term	5.10	IVR A3	-	-	-
5	Bill discounting (proposed)	Short term	60.23	IVR A3	-	-	-



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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.

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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
Term loan	-	-	June, 2025	6.38	IVR BBB-/Stable
Cash credit	-	-	-	18.00	IVR BBB-/Stable
Covid-19 Emergency Credit Line (Sanctioned)	-	-	September, 2022	1.80	IVR BBB-/Stable
Bank Guarantee	-	-	-	5.10	IVR A3
Bill discounting (proposed)	-	-	-	60.23	IVR A3

Annexure 2: Facility Wise Lender Details

<https://www.infomerics.com/admin/prfiles/lender-cbpr-26-dec-20.pdf>