

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Imperial Granites Pvt Ltd (IGPL)

May 23, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Facilities -Cash Credit	9.00	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
Short Term Facilities - Export Packing Credit	5.00	IVR A4 (IVR A Four)	Assigned
Total	14.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Imperial Granites Pvt Ltd (IGPL) derives comfort from the extensive experience of the promoter, long track record of operation, presence of own quarries ensuring partial immunity from volatility in major raw material prices, strong presence in the export market with diversified customer base and healthy capital structure with moderate debt protection metrics. The ratings however, are tempered by it small scale of operations, intense competition, exposure to foreign exchange fluctuations and working capital intensive nature of operations. Growth in scale of operations, profitability, efficient working capital management and gearing level are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoter

The promoter, Mr. R Veeramani is associated with the stone (granite) industry since 1971. The longstanding experience of the promoter of more than four decades in the granite industry supports the business risk profile of the company.

Long track record of operation

IGPL has a long track record of operations of more than three decades.

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Presence of own quarries ensuring partial immunity from volatility in major raw material prices

IGPL has its operational quarries in Telangana, Andhra Pradesh and Karnataka and obtains ~50% of its rough granite blocks requirement from its captive quarries which enables it to derive a cost differential over other players, resulting in higher margins. However, the company procures the rest from the open market, exposing it to raw material price fluctuation risk.

Strong presence in the export market with diversified customer base

Export constitutes ~36% of total revenue of IGPL in FY18 (~41% in FY17). The clientele of the company is spread across various countries such as China, USA and other European countries. Diverse geographic presence of the company minimizes geographical concentration risk to a large extent.

Healthy capital structure with moderate debt protection metrics

The capital structure of the company remained comfortable with an overall gearing ratio of 0.57 times as on March 31, 2018 which though remained comfortable, deteriorated marginally from 0.53 times as on March 31, 2017. Further, the company has a satisfactory interest coverage ratio of 2.15x in FY18 (2.36x times in FY17). Total outside Liabilities/Tangible Net worth also remained comfortable at 0.78 times as on March 31, 2018 (0.81 times as on March 31, 2017).

Key Rating Weaknesses

Small scale of operations

The scale of operations of the company remained small despite its long presence in the granite industry. IGPL has achieved a total operating income of Rs.50.37 crore in FY18 (Rs.50.70 crore in FY17). The company is estimated to achieve a PBT of Rs.2.53 crore on total operating income of Rs. 60.77 crore in FY19.

Intense competition

The granite industry is marked by high competition due to presence of large number of organised and unorganised players in the domestic market including various players catering

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to the export market along with various international granite processors from other granite exporting countries.

Exposure to foreign exchange fluctuations

The company is deriving a major portion of its revenues from the exports. However, the profit margin is susceptible to fluctuations in foreign exchange rates to the extent of exports which remain unhedged.

Working capital intensive nature of operations

The company sources its rough blocks from its captive quarries which are then cut and polished at its processing unit. The entire process requires a significant processing time. Further, the company also holds a sizable inventory to support its operation. High amount of semi- finished goods and inventory holdings led to high working capital requirement for the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The current ratio and quick ratio of the company remained satisfactory at 2.69x and 2.01x respectively as on March 31, 2018. However, the average fund based limit utilization of the company remained high at around 90% in the past 12 months period ended on April, 2019 indicating a limited cushion. The liquidity position of the company is expected to remain moderate in near to medium term.

About the Company

Incorporated in 1986, Chennai based Imperial granites Pvt Ltd (IGPL) was promoted by Mr. R Veeramani. The company is engaged in quarrying and processing of granite stones blocks which involves cutting, polishing and finishing of the granite slabs from the rocks. The company has its operational quarries in various states and has a processing unit at Velavadi Village, Chittoor District in Andhra Pradesh. IGPL deals in ~40 granites varieties. The company mainly caters to the domestic markets predominantly in southern region of the

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country. Further, the company also exports its products to various countries such as China, USA and other European countries. The day to day operations of the company are looked after by the promoter Mr. R Veeramani, who is well supported by the other directors.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	50.70	50.37
EBITDA	5.31	4.66
PAT	1.30	9.35
Total Debt (Excl. Subordinated Loans)	13.93	21.08
Tangible Net worth	55.86	64.64
EBITDA Margin (%)	10.47	9.24
PAT Margin (%)	2.79	15.11
Overall Gearing Ratio (x) (Excl. Subordinated Loans)	0.25	0.33

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits - Cash Credit	Long Term	9.00	IVR BB/ Stable Outlook	-	-	-
2.	Short Term Fund Based Limits-EPC	Short Term	5.00	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.

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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 Fund Based Limits–Cash Credit	-	-	-	9.00	IVR BB/ Stable Outlook
Short Term Fund Based Limits- EPC	-	-	-	5.00	IVR A4