

Press Release

FLORA MARMO INDUSTRIES PRIVATE LIMITED

January 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 97.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 97.00 crore bank facilities of FLORA MARMO INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

The firm was established in 2002 as a partnership firm in the name of Mahavir Industries by Mr. Amit Jalan and Mr. Troy Caeiro and later converted in 2007 as Flora Marmo Industries Pvt Limited (FMIPL). The company is engaged in the processing and trading of marbles, tiles and varieties of stones specialising in Italian marble. The company has their processing unit in Silvassa (Dadra & Nagar Haveli) with capacities of 2 lakh square ft per month.

FMIPL has a subsidiary unit in Turkey named Mahavir Mermer Madencilik San. Tic.Ltd. Sti is engaged in marble mining activities in Turkey. The company is availing of bank loans from a foreign unit of an Indian Bank which has been extended against a Standby Letter of Credit (SBLC) provided to the unit by the existing banker of FMIPL. Moreover, FMIPL has provided a corporate guarantee to the facilities of its subsidiary.

Key Rating Drivers

Strengths

• **Experienced management**

The promoters Amit Jalan and Troy Caeiro have over two decades of experience in processing of marbles. This long standing experience has helped the management in establishing comfortable relationships with their key customers and suppliers.

• **Healthy relationship with customers and suppliers**

The company is engaged in the processing of imported marbles specializing in Italian marble. The imports are from countries such as Turkey, Italy, Oman, Spain etc and the company has been able to develop comfortable relations with their suppliers thus ensuring steady supply.

The company primarily caters to real estate players in Mumbai, Bangalore, Delhi, Pune etc apart from supplying to hotels, corporate offices etc. Their long experience in this line of operations has helped them carve a niche for themselves in the marble industry.

• **Healthy margins**

The operating margins stands at healthy level at 12.40 per cent in FY 2017 as against 12.61 per cent in FY 2016. The company has been able to fetch healthy margins due to its established market position and superior quality of imported marbles. The net margins also stood at healthy levels of 3.11 per cent in FY 2017 as against 2.17 per cent in FY 2016. The improvement in net margins in FY2017 has been mainly due to reduction in their finance costs.

Weaknesses

• Working capital intensive operations

The operations of the company are working capital intensive marked by gross current asset (GCA) days of 521 in FY 2017 as against 648 days in FY 2016. The high GCA days are on of high inventory days of 413 in FY 2017 as against 515 days in FY 2016. The company generally keeps high inventory levels due to various grades of stones/marbles with different quality for its customers. The debtor days stood at 90 in FY 2017 as against 116 days in FY 2016.

• Exposure to forex risk

The company imports its entire requirement of marble/stones and is hence exposed to fluctuations in foreign exchange fluctuations. The company suffered exchange loss of Rs 0.24 crs in FY 17 as against foxex loss of Rs 1.87 crs in the previous year.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of FMIPL to arrive at the rating.

Outlook: Stable

SMERA believes the company will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve revenue growth, or in case of deterioration in the firm's financial risk profile, or on further elongation of its working capital cycle.

Applicable Criteria

- Manufacturing- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	83.13	73.65	79.70
EBITDA	Rs. Cr.	10.31	9.29	15.14
PAT	Rs. Cr.	2.59	1.60	7.22
EBITDA Margin	(%)	12.40	12.61	18.99
PAT Margin	(%)	3.11	2.17	9.06
ROCE	(%)	6.52	7.35	23.24
Total Debt/Tangible Net Worth	Times	1.03	1.07	0.83
PBDIT/Interest	Times	1.90	1.73	4.67
Total Debt/PBDIT	Times	7.09	6.79	3.45
Gross Current Assets (Days)	Days	521	648	498

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BBB- / Stable
Proposed Letter of Credit/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3
Proposed Short Term facilities	Not Applicable	Not Applicable	Not Applicable	58.50	SMERA A3

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ABOUT SMERA

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