

Press Release

YAK GRANITE INDUSTRIES PRIVATE LIMITED

January 08, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 8.00 crore bank facilities of YAK GRANITE INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

Yak Granite Industries Private Limited (YGIPL), incorporated in 1982 is a Tamil Nadu-based company engaged in the manufacture of granite slabs and blocks. The company also undertakes quarrying of raw granite blocks. The company has a manufacturing plant at Tada, Andhra Pradesh. It has eight quarries in Andhra Pradesh and one at Telangana which are on lease for 15 years. The day-to-day operations are managed by Mr.K.Badrinarayanan, Mr.K.Balaji and Mr.K.Vallabhai.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The company is engaged in the mining granite blocks and manufacturing of polished granite slabs since 1982 and has established long term relations with customers. The promoter, Mr. Badrinarayanan Krishnamurthy possesses more than four decades of experience in the granite processing industry.

- **Healthy operating margins**

YGIPL's operating margins improved to 24.47 percent in FY2016-17 (Provisional) from 14.01 percent in FY2015-16 on account of reduction in quarry mining charges during the year.

Weaknesses

- **Moderate scale of operations**

The scale of operations is modest with operating income of Rs.23.30 crore in FY2016-17 (Provisional) compared to Rs.24.88 crore in FY2015-16. Further, the company registered operating revenue of Rs.9.70 crore from April 2017 - September 2017 and has order book of Rs.15.00 crore as on September 2017. The company also faces competition from various granite players in the industry.

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs.10.70 crore as on 31 March, 2017 (Provisional) compared to Rs.9.25 crore as on 31 March, 2016. The Net worth includes unsecured loans from promoters of Rs.3.01 crore treated as quasi equity. The gearing stood at 1.69 times as on 31 March, 2017 (Provisional) compared to 1.75 times in the previous year. The Interest coverage ratio stood at 2.36 times in FY2016-17 (Provisional) as against 1.52 times in FY2015-16. Further, the company needs to generate adequate cash accruals to pay its debt obligations. The company has generated net cash accruals of Rs.2.79 crore in FY2016-17 (Provisional).

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross current assets of 496 days in FY2016-17 (Provisional) compared to 431 days in FY2015-16. This is on account of elongated debtors of 325 days in FY2016-17 (Provisional) and 271 days in FY2015-16. Further, the working capital facilities have been fully

utilised.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that YGIPL will maintain a stable outlook and continue to benefit over the medium term from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case it sustains growth in revenues while improving margins along with working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or if the working capital cycle elongates.

About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.30	24.88	21.24
EBITDA	Rs. Cr.	5.70	3.49	2.81
PAT	Rs. Cr.	1.45	0.46	-1.71
EBITDA Margin	(%)	24.47	14.01	13.25
PAT Margin	(%)	6.21	1.87	-8.04
ROCE	(%)	16.08	9.60	0.22
Total Debt/Tangible Net Worth	Times	1.69	1.75	1.70
PBDIT/Interest	Times	2.36	1.52	1.79
Total Debt/PBDIT	Times	3.17	4.64	5.28
Gross Current Assets (Days)	Days	496	431	521

Any other information

None

Applicable Criteria

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

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA B / Stable

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