

## Press Release

### RAVILEELA GRANITES LIMITED

5 February, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 20.00 crore bank facilities of RAVILEELA GRANITES LIMITED. The outlook is '**Stable**'.

Ravileela Granites Limited (RGL), incorporated in 1990 is a Telangana-based company engaged in the processing and export of polished Indian granite. The company was promoted by Mr. Parvat Srinivas Reddy, Mrs. Parvatha Samantha Reddy, Mr. Rama Krishna Gandhi, Mr. Musaligari Mohan Reddy and Mr. Konduri Nandakumar. The manufacturing unit is located at Telangana and has an installed capacity of 120000 sq. mtrs. per annum. The company exports to countries including USA, Poland, Switzerland and Italy.

### Key Rating Drivers

#### Strengths

- **Established track record of operations, experienced management**

RGL has been processing and exporting granite slabs for the last 27 years. The company benefits from its experienced management. Mr. P Srinivas Reddy, Managing Director possesses around three decades of experience in granite processing.

- **Moderate financial risk profile**

RGL has moderate financial risk profile marked by moderate networth of Rs.10.90 crore as on 31 March, 2017 as against Rs.9.72 crore in the previous year. The gearing stood at 1.53 times as on 31 March, 2017 as against 1.58 crore in the previous year. The Interest Coverage ratio stood comfortable at 2.38 times for FY2016-17 and Debt Service Coverage ratio at 1.67 times. Going forward, the company plans to increase installed capacity from 120,000 Sq. mtrs. to 160,000 Sq. mtrs. per year. The total expected project cost is Rs. 6.25 crore to be funded through a term loan of Rs. 5.00 crore and the remaining through promoters funds. However, the debt funded capex plan is not expected to have any significant impact on the financial risk profile of the company.

- **Established customer relations**

RGL caters to customers located in USA, Poland, Switzerland, Italy etc. The company has been catering to the aforementioned for decades and has established relations.

#### Weaknesses

- **Modest scale of operations in an intensively competitive and fragmented industry**

RGL has modest scale of operations with operating income of Rs.41.02 crore for FY2016-17 as against Rs.38.96 crore in the previous year despite being in the business for almost three decades. This is owing to the intensively competitive and fragmented granite industry and the cyclical real estate sector.

- **Working capital intensive operations**

The operations are working capital intensive evident from the Gross Current Asset days (GCA) of 246 in FY2017 as against 255 days in the previous year. The

stretched GCA days is on account of high inventory days of 133 as on 31 March, 2017 and debtor days of 95 for FY2016-17. RGL is required to maintain high amount of inventory to avail orders and ensure timely execution of the same. However, the average cash credit limit utilisation stood at 80 percent for the last six months ended 31 December, 2017.

- **Customer and geographic concentration**

The company derives around 48 percent of its total sales from a single customer. Further, the company exports around 70 percent of its total sales only to the USA. Hence, it is exposed to customer and geographic concentration risk.

- **Susceptibility of profitability to fluctuations in raw material prices and forex rates**

The profitability is susceptible to volatility in raw material prices i.e. granite blocks. The total raw material cost as a percentage of sales stood at 51.15 percent in FY2016-17 as against 51.18 in the previous year. Further, the company exports 100 percent of its sales to countries including USA, Poland, Switzerland, Italy etc. Hence, the profitability is exposed to fluctuations in forex rates in the absence of adequate hedging mechanism. However the forex risk is an inherent risk for the industry.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the RGL to arrive at the rating.

### **Outlook: Stable**

SMERA believes that RGL will maintain a 'Stable' outlook in the medium term on account of its established track record and experienced management. The outlook may be revised to 'Positive' if the company registers significant growth in revenue while maintaining adequate profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company registers any deterioration in its liquidity and financial risk profile due to any major debt funded capex plan.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	41.02	38.96	26.80
EBITDA	Rs. Cr.	4.89	5.91	4.78
PAT	Rs. Cr.	1.18	2.12	2.31
EBITDA Margin	(%)	11.93	15.18	17.85
PAT Margin	(%)	2.89	5.44	8.60
ROCE	(%)	17.79	29.37	38.81
Total Debt/Tangible Net Worth	Times	1.53	1.58	1.00
PBDIT/Interest	Times	2.38	5.76	59.03
Total Debt/PBDIT	Times	3.24	2.50	1.60
Gross Current Assets (Days)	Days	246	256	215

### Status of non-cooperation with previous CRA (if applicable)

CRISIL Ratings in its press release dated September 26, 2017 inter alia has stated the following: CRISIL has downgraded its rating on the long-term bank facilities of RGL to 'CRISIL D' from 'CRISIL BB-/Stable'.

The rating downgrade reflects overdrawls in the Adhoc limits for more than 30 days. The delays have been due to weak operating performance.

Despite repeated attempts to engage with the management, CRISIL failed to receive any information on strategic intent of RGL. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for RGL is consistent with 'Scenario 2' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BBB category or lower. Based on the last available information, CRISIL has downgraded ratings to 'CRISIL D' from 'CRISIL BB-/Stable'.

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable

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## ABOUT SMERA

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