

Press Release

Krishna Global Marbles And Stones LLP (KGMS)

28 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.46 Cr.
Long Term Rating	SMERA BB/Stable (Assigned)

*Refer annexure for details

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the abovementioned bank facilities of Krishna Global Marbles And Stones LLP (KGMS). The outlook is '**Stable**'.

KGMS was established in 2015 as a Limited Liability Partnership (LLP) by Mr. Bajrangbali Mulchand Varma, Mr. Prajapati Dipakkumar Jagdishbhai and Mr. Varma Rajendra Mulchand. The firm is engaged in the processing and trading of marble, tiles, stone and specialises in Italian marble. The manufacturing unit is located at Valsad, Gujarat.

Key rating drivers

Strengths

Experienced management: The promoters, Mr. Bajrangbali Mulchand Varma, Mr. Prajapati Dipakkumar Jagdishbhai and Mr. Rajendra Mulchand Varma are engaged in the real estate business and have over two decades of experience in the processing of marble. Mr. Bajrangbali Mulchand Varma and Mr. Rajendra Mulchand Varma are also the directors of Omkar Realtors Pvt Ltd, a real estate firm. KGMS is engaged in the trading of imported marble. It has developed long term relations with architects, builders, land developers, interior decorators and contractors. SMERA believes that KGMS will continue to benefit from its experienced management.

Healthy relationship with customers and suppliers: The firm has been able to establish healthy relations with customers and suppliers.

Healthy margins: The operating margins stood at a healthy 9.26 per cent in FY2017 as against 8.95 per cent in FY2016. The high operating margins are primarily due to better quality of marble imported from Italy, Turkey, China and Dubai. However, the net margins stood at 1.61 per cent in FY2017 as against 1.37 per cent in FY2016.

Above average financial risk profile: The financial risk profile is above average marked by networth of Rs. 12.42 crore as on 31 March, 2017 as against Rs. 9.90 crore as on 31 March, 2016. The gearing remains moderate at 0.75 times as on 31 March, 2017 as against 1.01 times as on 31 March, 2016. The total debt as on 31 March, 2017 mainly consists of working capital loan of Rs. 9.30 crore and current portion of long term debt of Rs. 0.21 crore. The debt protection metrics remain moderate as Interest Coverage Ratio (ICR) as 2.57 times for FY2017 as against 2.91 times for FY2016.

Weaknesses

Limited operational track record: The firm commenced operations from 2015. Hence, the track record of operations is limited.

Working capital intensive operations: The operations are working capital intensive marked by GCA days of 270 in FY2017 as against 326 days in FY2016. The high GCA days are on account of high inventory days of 182 in FY2017 as against 236 days in FY2016. The debtor's days stood at 70 in FY2017 as against 84 days in FY2016 mainly.

Exposure to forex risk: The profit margins are exposed to fluctuations in forex rates. The firm imports 100 per cent of its procurement from Turkey, Italy, China, and Dubai and among others.

Intense market competition: The firm operates in a fragmented industry and faces stiff competition from other players.

Analytical approach:

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

Outlook: Stable

SMERA believes that the firm will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.59	26.69	0.00
EBITDA	Rs. Cr.	3.11	2.39	(0.23)
PAT	Rs. Cr.	0.54	0.37	(0.23)
EBITDA Margin	(%)	9.26	8.95	-
PAT Margin	(%)	1.61	1.37	-
ROCE	(%)	9.58	11.31	(11.68)
Total Debt/Tangible Net Worth	Times	0.75	1.01	0.00
PBDIT/Interest	Times	2.57	2.91	-115.13
Total Debt/PBDIT	Times	2.99	4.18	0.00
Gross Current Assets (Days)	Days	270	326	-

Any other information

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable): None

Rating History for the last three years: None

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit*	NA	NA	NA	13.00	SMERA BB/ Stable (Assigned)
Term Loan I	NA	NA	NA	0.82	SMERA BB/ Stable (Assigned)
Term Loan II	NA	NA	NA	0.64	SMERA BB/ Stable (Assigned)
Term Loan III	NA	NA	NA	2.00	SMERA BB/ Stable (Assigned)

*Includes sublimit of Letter of credit to the extent of Rs.5.00 0

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pawan Punmaji, Rating Analyst, Tel: +91-22-6714 1352 Email: pawan.punmaji@smera.in	

ABOUT SMERA

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