

Press Release

Precision Granites & Marbles Private Limited

August 16, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.07 Cr.
Long Term Rating	ACUITE D
Short Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned a rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs.31.07 crore bank facilities of Precision Granites & Marbles Private Limited (Precision).

Incorporated in 1980, Precision Granites & Marbles Private Limited (Precision) is a 100 per cent export-oriented unit, engaged in processing of granites and marble blocks into slabs. It has an installed capacity of 2.21 lakh sq meters per annum of granite processing, and 3792 cubic meters per annum of marble processing. The company is promoted and managed by Mr. J B Surana who has around 35 years of experience in granite processing industry.

Key Rating Drivers

Weaknesses

- **Delays in servicing debt obligations in timely manner**

Precision has three term loans with outstanding amount of Rs.0.64 crores, Rs.6.84 crores and Rs.2.67 crores as on March, 2018. The principal repayment is due on the last day of every month. The company has been continuously delaying in repayment of its term loan obligations by about 10-15 days. The instalment for the month of May, 2018 was cleared on June 11, 2018. Also, the instalment of April, 2018 was cleared with a delay of about 10-15 days in May, 2018. The delays in debt servicing is owing to stretch in liquidity caused by less-than-expected cash accruals, high working capital cycle and delays in refund of GST leading to cash flow mismatch. In FY18, the company had repayment obligations of Rs.4 crores against NCA of Rs.2.98 crores. The shortfall in the cash flow is met by way of unsecured loans from promoters and cash flow from operations.

- **Modest scale- and working capital intensive nature of operations in intensely competitive granite processing industry**

Precision's business risk profile remains constrained by its modest scale of operations in the intensely competitive granite industry with revenue of Rs.33.40 crores (provisional) in FY2018 (refers to financial year, April 1st to March 31st). The granite industry is marked by low entry barriers leading to the presence of a large number of unorganised players. Precision has high working capital cycle with GCA days of 265 days as on March, 2018 on provisional basis. Because of the intense competition in the granite industry, players have limited pricing and bargaining power with suppliers and customers, leading to moderate operating profitability. However, due to long working capital cycle, players incur more of a financing cost leading to low net profits after tax and modest cash accruals.

Strengths

- **Extensive experience of promoters in the granites processing industry**

Precision's active promoters have experience of around three decades in the granites processing industry. Long standing relationship and operational record helped the company in maintaining the revenues at steady levels, despite challenging external environment.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Precision.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.40	32.22	34.38
EBITDA	Rs. Cr.	6.80	7.83	8.31
PAT	Rs. Cr.	0.09	-0.10	0.64
EBITDA Margin	(%)	20.35	24.31	24.16
PAT Margin	(%)	0.26	-0.30	1.87
ROCE	(%)	9.25	9.58	19.16
Total Debt/Tangible Net Worth	Times	3.65	4.11	4.20
PBDIT/Interest	Times	1.75	1.80	1.90
Total Debt/PBDIT	Times	4.74	4.65	4.53
Gross Current Assets (Days)	Days	265	324	288

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	18.35	ACUITE D
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.42	ACUITE D

Letter of Guarantee/Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE D
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D

*Interchangeable with PC limit upto Rs.10 crores

Contacts

Analytical	Rating Desk
Srihari Adari Head - Rating Operations Tel: 040-40042327 srihari.adari@acuite.in Neha Agarwal Senior Analyst - Rating Operations Tel: 040-40045487 neha.agarwal@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022- 67141160 rating.communication@acuite.in

About Acuité Ratings & Research:

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