

Press Release

Precision Granites & Marbles Private Limited

February 01, 2023



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.77	ACUITE B+ Stable Upgraded	-
Bank Loan Ratings	7.30	-	ACUITE A4 Upgraded
Total Outstanding Quantum (Rs. Cr)	31.07	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE D**' (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) on the Rs.31.07 crore bank facilities of PRECISION GRANITES AND MARBLE PRIVATE LIMITED (PGMPL). The outlook is '**Stable**'.

Rationale for rating upgrade

The rating is upgraded basis the stable operational and financial performance of PGMPL, marked by stable operating income, range bound profitability levels and timely servicing of debt obligations. However, the rating is constrained due to its below-average financial risk profile and working capital intensive nature of operations.

About the Company

Incorporated in 1980, Precision Granites & Marbles Private Limited (PGMPL) is a hundred percent 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the PGMPL to arrive at this rating.

Key Rating Drivers

Strengths

Extensive experience of promoters in the granites processing industry

Incorporated in 1980, Precision Granites & Marbles Private Limited (PGMPL) is currently promoted and managed by Mr. J. B. Surana and Mr. Vishal Surana among others. Mr. J B Surana has an industry experience of around three decades in the granites processing

industry. The experience of the promoters has aided the Company in building long standing relationships with its customers and suppliers.

The operating income of the Company stood at Rs.30.95 crore in FY2022 as against Rs.29.76 crore in FY2021. The operating profitability levels ranged between 8.45-9.62 percent during the last two years ended FY2022.

Acuite believes the extensive experience of the promoters will aid PGMPL in maintaining a stable operating performance over the medium term.

Weaknesses

Below-average financial risk profile

PGMPL's financial risk profile is below average marked by low net-worth, high gearing and modest debt protection metrics. The net worth of the company remained at Rs.7.54 crore and Rs.7.55 crore as on March 31, 2022 and March 31, 2021 respectively. The decline in the net worth is due to net losses incurred in FY2022. The gearing ratio though improved stood high at 3.41 times as on March 31, 2022 against 4.17 times in the March 31, 2021. The total debt of Rs.25.69 crore as on March 31, 2022 consist of long-term debt of Rs.3.10 crore, short-term debt of Rs.17.13 crore, and unsecured loan from Directors/promoters of Rs.5.47 crore. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 1.94 times and 0.84 times respectively in March 31, 2022. NCA/TD (Net cash accruals to total debt) stands at 0.06 times as on March 31, 2022 as against 0.04 times in March 31, 2021. Acuite believes financial risk profile will be one of the key parameters for the future rating upgradation.

Intensive working capital operations.

PGMPL's working capital cycle is intensive marked by gross current assets (GCA) days at 319 days as on March 31, 2022 as against 396 days as on March 31, 2021. The GCA days are majorly marked by high inventory days. Inventory days stood at 204 days as on March 31, 2022 as against 180 days as on March 31, 2021. The company is required to maintain the high amount of inventory, as there is high regulations and fluctuations in the procurement of quarries. The debtor's period stood at 54 days as on March 31, 2022 as against 43 days as on March 31, 2021. The payable day stood at 25 days as on March 31, 2022 as against 35 days as on March 31, 2021. The average bank limit utilization in the last nine months ended December 2022 remained at 83.58% for its fund based limits.

Rating Sensitivities

- Significant and sustainable improvement in scale of operations while maintaining profitability margins.
- Timely servicing of debt obligations
- Further elongation of working capital cycle adversely impacting the liquidity profile of the company

Material covenants

None

Liquidity: Stretched

PGMPL's liquidity is stretched marked by modest generation of net cash accruals against its maturing debt obligations. PGMPL has generated NCA of Rs.1.42 crore in FY2022 against debt obligation of Rs.1.64 crore. The company is expected to generate cash accruals in the range of Rs.2.06 – 2.52 crore against CPLTD of Rs.0.35 -0.51 crore over the medium term. The current ratio stood at 1.22 times as on March 31, 2022 against 1.25 times in previous year and the fund based limit remains utilized at 83.50 per cent over the 12 months ended December 2022. Acuite believes that PGMPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuite believes that PMGPL will continue to benefit over the medium to long term on account of established track record of operations and experience of the management in the industry. The outlook may be revised to 'Positive', in case of in case of higher-than-expected

revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case PMGPL registers any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	30.95	29.76
PAT	Rs. Cr.	(0.01)	(0.60)
PAT Margin	(%)	(0.03)	(2.02)
Total Debt/Tangible Net Worth	Times	3.41	4.17
PBDIT/Interest	Times	1.94	1.81

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Feb 2022	Cash Credit	Long Term	18.35	ACUITE D (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.30	ACUITE D (Issuer not co-operating*)
	Term Loan	Long Term	10.42	ACUITE D (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE D (Issuer not co-operating*)
24 Nov 2020	Term Loan	Long Term	10.42	ACUITE D (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.30	ACUITE D (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE D (Issuer not co-operating*)
	Cash Credit	Long Term	18.35	ACUITE D (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.30	ACUITE A4 Upgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.35	ACUITE B+ Stable Upgraded
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4 Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.42	ACUITE B+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4 Upgraded

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About Acuité Ratings & Research

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