

## Press Release

Adison Granito Private Limited

January 14, 2019



**Rating Assigned**

<b>Total Bank Facilities Rated*</b>	Rs. 99.40 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 99.40 crore bank facilities of Adison Granito Private Limited (AGPL). The outlook is '**Stable**'.

AGPL incorporated in January, 2016 by Mr. Ashokkumar A. Patel and Mr. Bharatbhai Vasdadia is engaged in manufacture of Double Charge Vitrified Tiles (DCVT). The manufacturing facility is located at Sabarkantha (Gujarat). The commercial production started from July, 2018 with an installed capacity of 1, 09,646 MTPA. AGPL will be catering to residential buildings, large commercial building including mall, hotel and hospital, among others.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of AGPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experience of promoters in the ceramic tile industry**

The promoters of AGPL have more than two decades of experience in the ceramic tile industry due to their association with different tiles manufacturing companies. The promoters of AGPL have been associated with various ceramic tiles manufacturing and trading companies, thereby establishing a healthy distribution and marketing network in the ceramic tiles industry. Thus, AGPL would benefit and leverage from this established distribution and marketing network, partially mitigating the offtake risk.

- **Location advantage of being in ceramic tile hub**

AGPL's manufacturing facility is located at Talod in Himmatnagar (Gujarat), which is one of the largest ceramic clusters in India. Primary raw materials i.e. various types of clay and minerals are easily available from Gujarat and Rajasthan. AGPL has planned to use natural gas as fuel for firing of kilns which is planned to be supplied by Gujarat State Petroleum Corporation. Also, coal powder is used for the hot air dryer which shall be sourced from local suppliers. Acuité believes that AGPL will benefit from the primary location of its manufacturing facility situated in the ceramic tile hub which will give easy access to raw material, power and fuel.

#### Weaknesses

- **Nascent stage of operations**

The commercial production started from July, 2018 and the company has registered revenues of Rs.~5.00 crore for the period July to September, 2018. Acuité believes that the ability of AGPL to grow its scale of operations with optimum utilisation of its manufacturing capacity and generate adequate net cash accruals in order to repay its debt obligation will be key rating sensitivity.

- **Susceptibility of profitability to volatility in prices of raw material and power & fuel**

Prices of raw material i.e. clay and feldspar are highly volatile in nature as they are market driven and are envisaged to put pressure on the margins of AGPL. Another major cost component is the fuel expenses i.e. natural gas, which is used to fire the furnace. The profitability of AGPL is envisaged

to remain exposed to volatile LNG prices, mainly on account of its linkages with the international demand-supply of natural gas. Hence, AGPL's ability to maintain its profitability along with the cost structure would be crucial for AGPL.

**• Presence in highly competitive ceramic tile industry with sales linked to demand from cyclical real estate sector**

The ceramic tile industry in India is highly competitive. Low entry barriers, easy availability of raw material and limited initial capital investment requirement has attracted large influx of regional and unorganised players. AGPL faces direct competition from the established players having better brand visibility.

**Outlook: Stable**

Acuité believes that the outlook on AGPL will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profitability over the medium term. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile, working capital cycle or decline in the operating income.

**About the Rated Entity - Key Financials (Not Applicable)**

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.60	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.40	ACUITE B+ / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
---------------------------------------	-------------------	-------------------	-------------------	------	-----------

## Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Namita Palve Analyst - Rating Operations Tel: 02249294034 <a href="mailto:namita.palve@acuiteratings.in">namita.palve@acuiteratings.in</a>	

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.