



Press Release
GRANITE MART LIMITED
May 24, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.70	ACUITE B Stable Assigned	-
Bank Loan Ratings	2.75	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	28.45	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE B (read as ACUITE B)** and short term rating of **ACUITE A4 (read as ACUITE A four)** on the Rs.28.45Cr bank facilities of Granite Mart Limited (GML). The outlook is 'Stable'.

The rating assigned takes into account the experience of management, reputed clientele and improved operating performance in FY2023 of GML. However, the rating is constrained by below average financial risk profile, intensive working capital management and stretched liquidity position of the company.

About the Company

Granite Mart Limited (GML) is a Hyderabad-based company which was incorporated in 1999 and managed by Mr. Mudit Agarwal. The company is engaged in processing of rough granite rocks into granite slabs, granite monuments & other granite products.

Analytical Approach

Acuite has considered standalone financial and business risk profile of the Granite Mart Limited (GML)

Key Rating Drivers

Strengths

Experienced management and Reputed client base:

Granite mart limited was established in 1999 and has its presence in the industry from past 2 decades. The directors of the company Mr. Mudit Agarwal, Mr. Bimal Kumar Agarwal and Mr. Siddhartha Agarwal has more than 2 decades of experience collectively. Granite Mart limited has established client base in foreign countries like united states of america (USA), Canada and dealing with these clients since past 10 years. This ensures repeated orders from the clients every year.

Improved operating performance

The company's revenue has been declining during the past 2 years, Rs.22.07Cr in FY20, Rs.19.65Cr in FY21 and Rs.10.71Cr in FY22. This decline is majorly due to covid-19 pandemic and

lack of availability of labour during those years. As per the year to date figures till March 31, 2023, GML has made revenue of Rs.23.32Cr. This is mainly due to healthy orders from foreign countries. The company purchases the raw rocks, process them into granite slabs and exports them as and when the company receives the orders and the pricing per sft depends up on the color and pattern of the granite slab. The company has total installed production of 0.43 lakhs Square feet. In FY23, company has healthy orders from USA. The operating margin is negative in FY22 and PAT margin stood at 0.43 percent (as company has Rs.5Cr of non-operating income in the form of sale of land). As per YTD till March 31, 2023 the company has reported EBITDA margin of 7.49 percent this improvement in EBITDA is mainly due to availability of raw materials at cheaper rates during the second half of the year.

Weaknesses

Intensive working Capital cycle:

GML's working capital cycle is highly intensive which is evident from the high GCA days of ~1196 days as on March 31, 2022. GCA days are expected to be improved to 661 days in FY23. Inventory days are ~732 days as on March 31, 2022. GML do not maintain huge amounts of raw material inventory. GML purchases the raw rocks from suppliers as on when the company receives the orders from the foreign customers and process them into granite slabs as per the requirement of the customers. The inventory value of Rs.27Cr as on March 31, 2022 is month end phenomenon. Creditor days stood at 171 days as on March 31, 2022 and are expected to be in the range of 60-70 days for FY23. Current ratio of the company stood moderate at 1.45 times. Acuite believes that working capital operations of the company will remain intensive in the medium term due to its nature of business.

Below Average Financial Risk profile:

The financial risk profile of the company is below average as the company's gearing is moderately high and weak debt protection metrics. The net worth of the company stood at Rs.12.53 as on March 31, 2022 against Rs.12.49cr as on March 31, 2021. Gearing of the company stood at 1.71 times as on March 31, 2022 which is improved from 2.45times as on March 31, 2021. Debt/ EBITDA stood high at 7.49 times. GML has weak debt protection metrics as company's Interest coverage ratio, debt service coverage ratio (DSCR) and total outside liabilities to total net worth stood at 1.64 times, 0.83 times and 2.18 times respectively as on March 31, 2022.

Acuite believes that financial risk profile of the company will improve in the medium term as the company's operations have improved as per YTD till March 31, 2023. However, sustaining this improvement in revenue and registering healthy EBITDA will be key monitorable aspects.

Rating Sensitivities

- Lower than expected revenues and profitability.
- Any further deterioration in working capital management leading to deterioration of financial risk profile and liquidity.

Material covenants

None

Liquidity Position: Poor

GML's Liquidity position is stretched as the company has insufficient Net cash accruals (NCA's) to repay its maturing debt obligations. The company has NCA's of Rs.0.94Cr as on March 31, 2022 against the debt repayment obligations of Rs.1.47Cr for the same period. The company is expected to face insufficient NCA for the period FY23-25 as it is expected to earn NCA in the range of Rs.0.87 -1.48 Cr against repayment obligations of Rs. 1.05-1.73 Cr. The promoters and associate companies are expected to infuse funds to meet the repayment

obligations. Unencumbered cash and bank balances stood around Rs.0.04Cr as on March 31, 2022. Acuite believes that company's liquidity position will remain poor in the medium term.

Outlook: Stable

Acuite believes that GML will continue to maintain a 'Stable' outlook over near to medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and further decline in liquidity position on account of higher-than-expected debt and working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	10.71	19.65
PAT	Rs. Cr.	0.05	(1.84)
PAT Margin	(%)	0.43	(9.34)
Total Debt/Tangible Net Worth	Times	1.71	2.45
PBDIT/Interest	Times	1.64	0.57

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

Crisil has migrated its rating on GML to CRISIL B Issuer not cooperating on October 26,2020 and rating is continued to be Issuer non cooperative. Brickwork also migrated its rating to BWR B issuer not cooperating on the Rs.26.5Cr bank facilities of GML on September 29,2022.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE B Stable Assigned
UCO Bank	Not Applicable	Derivative Exposure	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4 Assigned
UCO Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	8.86	ACUITE B Stable Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A4 Assigned
UCO Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE B Stable Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.34	ACUITE B Stable Assigned

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About Acuité Ratings & Research

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