

Press Release
SIYARAM GRANITO PRIVATE LIMITED
July 05, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.75	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	6.25	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	58.00	-	-

Rating Rationale

Acuite has assigned its long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short term rating of ACUITE A3 (read as ACUITE A three) on the Rs.58 Crore bank facilities of Siyaram Granito Private Limited (SGPL). The outlook is 'Stable'.

Rationale for Rating

The rating assigned takes into account the established track record of operations and experienced management of more than a decade in ceramic industry. Further, the rating takes into consideration growing revenue which stood at Rs.132.97 Crore in FY23(Provisional) against Rs.72.89 Crore in FY22 and Rs.62.09 Crore in FY21. The increase revenue is contributed by company's recently completed capital expenditure related to second line of business of glazed vitrified tiles. Further, the rating factors in moderate financial risk profile characterized by below unity gearing at 0.99 times as on March 31, 2023 (Prov) and above average debt protection metrics with DCSR stood at 1.64 times as on March 31, 2023 (Prov). These strengths are however, partly offset by the moderately intensive working capital nature of operations marked by elongated receivables and fragmented industry characterized by intense competition and vulnerability in the margins due to fluctuations in the raw material prices.

About the Company

Incorporated in 2014 in Gujrat, Siyaram Granito Private Limited (SGPL) is carrying out an activity of manufacturing Ceramic Vitrified Tiles with nano polish technology. The manufacturing facility is located at Jetpar Road, Jivapar Chakampar, Rajkot, Gujarat. Earlier the unit was manufacturing for nano vitrified tiles installed capacity is 62160 metric tons per annum and April 2022 onwards, product change to Glazed vitrified tiles up with an installed capacity of 136080 metric ton per annum. SGPL is promoted and managed by Mr. Jayprakash Bavarva and other three directors.

The company is managed by four directors namely Mr. Jayprakash Nathalal Bavarva, Mr. Chirag Manubhai Ujariya, Mr. Jayesh Thakarshibhai Varsda and Mr. Devendra Bhudarbhai Barasara.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management and established track record of operations

SGPL has been engaged in manufacturing of vitrified tiles from 2014. Currently the company is managed by Mr. Jayprakash Nathalal Bavarva, Mr. Chirag Manubhai Ujariya, Mr. Jayesh Thakarshibhai Varsda and Mr. Devendra Bhudarbhai Barasara who has an experience of about more than a decade in ceramic industry. Their experience into this line of business would help the company to flourish.

Acuite believes that SGPL will continue to benefit from its Established track record and experience of promoters in this line of business.

Augmentation in business risk profile

The operations of the company has improved with a significant increase in scale of operations and operating margins. The company has recorded a turnover of Rs.132.97 Crore in FY23(Provisional) against Rs.72.89 Crore in FY22 and Rs.62.09 Crore in FY21. The significant growth in turnover in FY23 is due to commencement of second line of business of glazed vitrified tiles on October 2022 which has resulted in increased volume sales and increase in topline is also contributed by better price realization of each product. Further, the EBITDA Margin of the company stood at 14.15% in FY23 (Provisional) against 11.23% in FY22. The margins of the company are increasing due to addition of new business line. The company is expected to generate top line of Rs.165 crore in coming year on an account of full fledged operations of the new line of business.

Acuite believes that operation of the company may continue to improve over the medium term backed by commencement of new line of business.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate net-worth, low gearing and comfortable debt protection metrics. The net worth of the company stood at Rs.48.87 Crore as on March 31, 2023 (Provisional) against Rs.44.97 Crore as on March 31, 2022 and Rs.24.14 Crore as on March 31, 2021. The promoter of the company infused capital in the business in FY22 of Rs.5 Crore to support the capital expenditure along with Unsecured loans which treated as quasi to the tune of approximately Rs.15.00 Crore. Further, the total debt of the company stood at Rs.48.03 Crore as on March 31, 2023 (Provisional) against Rs.42.07 Crore as on March 31, 2022 and Rs 28 Cr as on March 31, 2021. The long term debt increased in FY22 of Rs.25 Crore for the capital expenditure related to the second line expansion. Further, the debt protection metrics stood comfortable with the interest coverage ratio and debt service coverage ratio of the company stood at 3.59 times and 1.64 times respectively for FY23 (Provisional) against 3.70 times and 0.96 times for FY22 respectively. The company follows a conservative financial risk policy reflected through its peak gearing of 1.16 times as on March 31, 2021. The gearing of the company is below unity which stood at 0.99 times as on March 31, 2023 (Provisional) against 0.94 times as on March 31, 2022 and 1.16 times as on March 31, 2021. The TOL/TNW ratio stood at 1.54 times as on March 31, 2023 (Provisional) against 1.23 times as on March 31, 2022.

Acuite believes that the financial risk profile of the company may continue to remain moderate with no major debt-funded capex plan.

Weaknesses

Working capital intensive operations

The working capital operations of the company are intensive marked by high GCA days which stood at 198 days as on March 31, 2023 (Provisional) against 215 days as on March 31, 2022. The GCA days of the company has improved on an account of efficient inventory management which stood at 61 days in as on March 31, 2023 (Provisional) as compared to 80 days as on March 31, 2022. The average inventory days maintained by the company is approximately around 60 days. The debtor days of the company stood at 135 days as on March 31, 2023 (Provisional) against 118 days as on March 31, 2022. The average debtor days maintained by the company is approximately in the range of 90-120 days. On the other hand, the creditor days of the company stood at 171 days as on March 31, 2023 (Provisional) against 196 days as on March 31, 2022.

Acuite believes that working capital operations of the company may continue to remain intensive considering the nature of business.

Volatility in Input Prices

Volatility in input costs is a frequent issue the ceramic sector faces. This volatility can be due to a number of things, including changes in the cost of energy, transportation, and raw material costs. Additionally, depending on factors including availability, demand-supply dynamics, and geological conditions, clay prices can fluctuate widely. Any alteration in these variables may result in variations in clay pricing, which will directly affect the input costs for makers of ceramic products. Overall, to remain competitive in the market, makers of ceramics must continually evaluate and handle the problem of input price fluctuation.

Rating Sensitivities

- Improvement in the operating performance along with improvement in profitability.
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position

Material covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.13.32 Crore as on 31st March 2023 (Provisional) against debt repayment obligations of Rs.6.07 Crore in the same period. Further, the company is expected to generate net cash accruals under the range of Rs.16 Crore to Rs.18 Crore against the debt repayment obligation of approximately Rs.5.00 Crore to Rs.6.00 Crore in the near to medium term. The unencumbered cash and bank balance of the company stood at Rs.0.05 Crore as on 31st March 2023 (Provisional). The current ratio of the company stood at 1.38 times as on 31st March 2023 (Provisional) against 1.46 times as on 31st March 2022. Also the fund based average bank limit utilization of the company stood at 64.32% in last 12 months ending May 2023 and average non fund based bank limit utilization stood at 88% in last 12 months ending May 2023.

Outlook: Stable

Acuité believes that SGPL will continue to benefit over the medium term due to its "established market position and established relations with its customers, moderate financial risk profile and will maintain a 'Stable' outlook and benefit over the medium term from its promoter's extensive industry experience. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues while maintaining its profitability and improvement in working capital operations. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile, especially liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	132.97	72.89
PAT	Rs. Cr.	3.31	1.19
PAT Margin	(%)	2.49	1.63
Total Debt/Tangible Net Worth	Times	0.99	0.94
PBDIT/Interest	Times	3.59	3.70

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>
- Entities In Manufacturing Sector:- <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 :

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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.25	ACUITE A3 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.27	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.01	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.38	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	22.09	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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