June 30, 2022(Revised)

Anjalee Granites Private Limited: Long-term rating upgraded to [ICRA]BB(Stable), short-term rating reaffirmed at [ICRA]A4; ratings removed from 'Issuer Not Cooperating' category

Summary of rating action

Instrument^	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	30.00	33.00	[ICRA]BB (Stable); upgraded from [ICRA]B+ (Stable) and removed from Issuer Not Cooperating Category
Interchangeable-Term loans*	-	(4.00)	[ICRA]BB (Stable); upgraded from [ICRA]B+ (Stable) and removed from Issuer Not Cooperating Category
Fund-based Limits	-	8.00	[ICRA]BB (Stable); upgraded from [ICRA]B+ (Stable) and removed from Issuer Not Cooperating Category
Non-fund Based limits	5.88	7.42	[ICRA]A4; Reaffirmed and removed from issuer not cooperating category
Unallocated Limits	16.12	3.58	[ICRA]BB (Stable), upgraded from [ICRA]B+ (Stable) and [ICRA]A4 reaffirmed; ratings removed from Issuer Not Cooperating Category
Total	**52.00**	**52.00**	

^Instrument details are provided in Annexure-1
**sub limit of non- fund based limit (FLC of Rs. 7.42 crore)*

Rationale

ICRA has upgraded the ratings assigned to Anjalee Granites Private Limited (AGPL) and removed it from 'ISSUER NOT COOPERATING' category owing to the company's cooperation in concluding the rating exercise. The rating upgrade factors in the expected increase in its scale of operations by 12-14% in FY2023, supported by production efficiency post installation of new machineries in March 2022, and likely improvement in operating profits in FY2023. The ratings derive strength from AGPL's experienced management, with an extensive track record of operations in the granite industry and adequate debt coverage metrics. The debt coverage metrics are adequate, as depicted by an interest cover of 3.5 times and DSCR of 1.5 times in FY2022 and are anticipated to remain adequate in FY2023 as AGPL does not have any major near-term debt-funded capex plans.

The ratings are, however, constrained by the highly fragmented and low value-additive nature of the granite processing industry, which limits its pricing flexibility. Further, the company's operations are highly working capital-intensive owing to high inventory holding and extended debtor cycle leading to a stretched liquidity position. ICRA notes the vulnerability of its revenues to macro-economic factors such as the performance of the housing real estate sector in the export markets. Additionally, the intense competition in the industry results in moderate profitability. The margins remain exposed to fluctuations in currency rates as AGPL derives a substantial part (68% in FY2022) of its revenues from exports.

The Stable outlook on the [ICRA]BB rating reflects ICRA's opinion that AGPL will continue to benefit from the extensive experience of its partners in the granite processing industry.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoter in granite processing and trading industry - The promoters have significant experience of over two decades in the granite processing and trading industry, resulting in established relationship with the customers.

Expected increase in revenues and profitability in FY2023; debt coverage metrics remain adequate – AGPL's revenues are expected to improve by 12-14% in FY2023, supported by increase in production efficiency post installation of the new machineries in March 2022. The revenues were adversely impacted by the logistics issues pertaining to exporting the granites slabs and reduced by 2% to Rs. 68.86 crore in FY2022. Its operating profits are anticipated to improve in FY2023, driven by the increase in scale of operations. The debt coverage metrics are adequate, as depicted by an interest cover of 3.5 times and DSCR of 1.5 times in FY2022 and are likely to remain adequate in FY2023, given that AGPL does not have any major debt-funded capex plans in the near term.

Credit challenges

Working capital-intensive nature of operations - The company's working capital intensity has remained high historically and increased to 70% in FY2022 from 61% in FY2021 due to higher inventory period of 262 days as on March 31, 2022 against 204 days as on March 31, 2021, as well as high receivables of 93 days as on March 31, 2022. AGPL maintains high inventory levels in anticipation of high orders, given the longer time required to ship the goods.

Stiff competition in granite industry and revenues vulnerable to macro-economic factors - The company faces intense competition from other players in the domestic as well as competing countries. Further, the revenues are vulnerable to macro-economic factors such as the performance of the housing sector in the export markets. Most of the quarried rough blocks are exported, which exposes AGPL's margins to increase in ocean freight costs as witnessed in FY2021 and FY2022.

Earnings exposed to volatility in foreign exchange rates - AGPL derived 68% of its revenues from exports in FY2022. In absence of any hedging mechanism, its revenues and margins remain exposed to foreign exchange fluctuations. However, natural hedge in the form of foreign currency working capital limits mitigate the risk to some extent.

Liquidity position: Stretched

The liquidity position remains stretched as reflected by high utilisation of working capital limits in the past twelve months ending in May 2022 to fund the high working capital-intensive nature of operations. Further, the company has sizeable repayment obligations of ~Rs. 3.0-3.30 crore in FY2023, which can be met from its internal accruals. AGPL does not have any major debt-funded capex plans in the near to medium term.

Rating sensitivities

Positive factors - The ratings can be upgraded if a sustained increase in the company's revenues and profitability, along with an improvement in the working capital cycle strengthens the liquidity position.

Negative factors - The ratings can be downgraded if a sharp decline in revenues and operating margins, or deterioration in the working capital position or high debt-funded capex, weakens the liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	NA
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer.

About the company

AGPL, incorporated in September 2008, is involved in granite processing which involves cutting, polishing and finishing of the granite slabs from the rocks. The unit commenced operations in October 2010 with a capacity of 2 lakh sft and at present has an annual installed capacity of 45 lakh sft. The plant is located at SEZ, in Annangi village, Maddhipadu Mandal, Prakasam district of Andhra Pradesh, spread over 8.0 acres of land. It is promoted by Mr. Hari Prasad and his family members.

Key financial indicators (audited)

AGPL	FY2020	FY2021	FY2022 (Prov)
Operating Income (Rs. crore)	55.2	70.5	69.0
PAT (Rs. crore)	1.0	1.6	1.5
OPBDIT/OI (%)	12.0%	5.3%	8.6%
PAT/OI (%)	1.8%	2.2%	2.1%
RoCE (%)	5.8%	5.5%	5.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	1.4	1.7
Total Debt/OPBDIT (times)	5.2	8.9	7.4
Interest Coverage (times)	2.8	2.3	3.5
DSCR (times)	2.0	1.9	1.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					June 30, 2022		Mar 29, 2021	Sept 06, 2019
1	Working Capital Limits	Long-term	33.00	-	[ICRA]BB (Stable)		[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]BB-(Stable)
2	Interchangeable-Term loans*	Long-term	(4.00)	4.00	[ICRA]BB (Stable)			
3	GECL Loan	Long-term	8.00	8.00	[ICRA]BB (Stable)		-	-
4	Letter of Credit	Short term	7.42	-	[ICRA]A4		[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4
5	Unallocated Limits	Long Term/Short term	3.58	-	[ICRA]BB (Stable)/[ICRA]A4		[ICRA]B+ (Stable) /[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB-(Stable)/[ICRA]A4

**sub limit of non- fund based limit (FLC of Rs. 7.42 crore)*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Working Capital Limits	Simple
Term Loans	Simple
FLC	Simple
Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working Capital Limits	-	-	-	33.00	[ICRA]BB(Stable)
NA	Interchangeable-Term* loan	Feb 2022	ARR+270 bps	Jan 2027	(4.00)	[ICRA]BB(Stable)
NA	GECL Loan	Jan 2021	8.20%	Jan 2027	8.00	[ICRA]BB(Stable)
NA	FLC	-	-	-	7.42	[ICRA]A4
NA	Unallocated Limits	-	-	-	3.58	[ICRA]BB(Stable) /[ICRA]A4

Source: Company

**sub limit of non-fund based limit (FLC of Rs. 7.42 crore)*

Annexure II: List of entities considered for consolidated analysis: Not applicable

Corrigendum

Document dated June 30, 2022 has been revised with changes as below:

- PAT/OI (%) included in KFI table on page number 3.

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