

October 28, 2022

## Tirupati Stonex Private Limited: Long term rating reaffirmed; short term rating assigned

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	20.00	20.00	[ICRA]B+(Stable); reaffirmed
Long-term – Fund-based – Working capital	20.00	16.00	[ICRA]B+(Stable); reaffirmed
Unallocated limit	-	4.00	[ICRA]B+(Stable); reaffirmed /[ICRA]A4; assigned
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of the ratings takes into account Tirupati Stonex Private Limited's (TSPL) nascent stage (commercial operations started from April 2022) of operations with revenue of Rs. 8.4 crore for H1 FY2023 (provisional unaudited) and the risk associated with its stabilisation and scale-up as per the expected parameters. The ratings factors in its below average financial profile and debt coverage indicators due to the predominantly debt-funded capex, along with its leveraged capital structure and stretched liquidity position. The ratings also remain constrained by the intense competition in the marble and granite processing industry and the exposure of the company's profitability to volatility in foreign currency exchange rates. Additionally, TSPL's operations and cash flows are vulnerable to the cyclical nature in the real estate industry, which is the key end-user sector.

The ratings, however, favourably factor in the extensive experience of the promoters in the granite and marble quarrying business and the proximity to raw material sources, by virtue of its presence in Rajasthan. Moreover, around 40% of the company's raw material requirements are expected to be met from Group-owned quarries, resulting in assured raw material supply.

The Stable outlook on the [ICRA]B+ rating reflects ICRA's opinion that TSPL is expected to benefit from the extensive experience of the promoters in the marble and granite industry.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters in granite and marble quarrying business** – TSPL's promoters have more than three decades of experience in the marble and granite industry through their Group entities, which have mining rights for four marble and two granite quarries in Rajasthan.

**Favourable location and consistent supply from Group-owned quarries to support operations** – The company's manufacturing facility is in Rajasthan (Jaipur), which provides easy access to quality raw materials. Moreover, around 40% of TSPL's raw material requirements are expected to be met from Group-owned quarries, resulting in consistent supply.

#### Credit challenges

**Risks associated with stabilisation and successful scale up of operations** – Being in the nascent stage of operations (commenced from April 2022), TSPL is exposed to risks associated with stabilisation and successful scale up of operations, as

per the expected parameters. Moreover, the high debt repayment and long gestation period are likely to keep its credit profile constrained in the near term.

**Profitability to remain exposed to forex fluctuation** – With revenues expected to be predominately derived from exports, the margins are likely to remain vulnerable to any adverse movements in exchange rates because of the absence of any hedging mechanism.

**Stiff competition in marble and granite processing industry and revenues vulnerable to macro-economic factors** – The marble and granite processing industry 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 real estate sector in the export market.

### Liquidity position: Stretched

TSPL's liquidity position is expected to remain stretched due to high impending debt repayments against which the cash accruals are likely to be tightly matched. Thus, ramp-up of operations remains important apart from the promoters' ability to support in case of any cash flow mismatches.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings with successful scale up of operation, along with healthy profitability and improvement in liquidity profile.

**Negative factors** – Negative pressure on TSPL's ratings could arise if lower-than-expected increase in revenue and profitability lead to lower-than-estimated cash accruals, or any stretch in working capital cycle deteriorates its liquidity profile.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Based in Mukhampura (Rajasthan) Tirupati Stonex Private Limited (TSPL) was incorporated on October 21, 2020, to process marble and granite tiles/slabs with an annual processing capacity of 42.90 lakh square feet per annum (marble - 21.45 lakh square feet per annum and granite 21.45 lakh square feet per annum). The company's operation commenced from April 2022. It is promoted by Choudhary family, who are involved in marble and granite mining over three decades.

The Group has been allotted four marble mines and two granite mines in Kekdi, Ajmer under its four associate concerns namely Tirupati Marble Mines, Tirumala Infra and Jana Marble Mines, Tirupati Granistone India Private Limited and Prasan India Stones Private Limited. The establishment of Tirupati Stonex would enable the Group to forward integrate into marble/granite processing from the current presence in mining.

## Key financial indicators (Provisional)

	FY2022P
Operating income	0.4
PAT	-1.0
OPBDIT/OI	-91.8%
PAT/OI	-250.9%
Total outside liabilities/Tangible net worth (times)	3.3
Total debt/OPBDIT (times)	-112.4
Interest coverage (times)	-0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 20202 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Oct 28, 2022	Jul 8, 2021	-	-
1 Term loans	Long term	20.00	20.00	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-
2 Fund-based Working capital limit	Long term	16.00	--	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-
3 Unallocated limit	Long term Short term	4.00		[ICRA]B+ (Stable)/ [ICRA]A4	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Working capital	Simple
Long term/Short term- Unallocated limit	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](http://www.icra.in)

## Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	July, 2021	NA	Apri,2031	20.00	[ICRA]B+(Stable)
NA	Cash credit	NA	NA	NA	16.00	[ICRA]B+ (Stable)
NA	Unallocated limit	NA	NA	NA	4.00	[ICRA]B+ (Stable)/[ICR]A4

Source: Company

## Annexure II: List of entities considered for consolidated analysis: Not Applicable

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