

September 15, 2023

Anjalee Granites Private Limited: Ratings reaffirmed

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/CC	33.00	6.00	[ICRA]BB (Stable); reaffirmed
Long-term/Short-term – Fund-based/Export packing credit	-	22.00	[ICRA]BB (Stable)/[ICRA]A4; reaffirmed
Long-term/ Short-term – Fund-based/Export bill discounting	-	15.00	[ICRA]BB (Stable)/[ICRA]A4; reaffirmed
Interchangeable-TL*	(4.00)	-	-
Long-term – Fund-based/TL	-	3.40	[ICRA]BB (Stable); reaffirmed
Long-term – Fund-based	8.00	5.60	[ICRA]BB (Stable); reaffirmed
Short-term – Non-fund based	7.42	-	-
Long-term/ Short-term – Unallocated	3.58	-	-
Total	52.00	52.00	

[^]Instrument details are provided in Annexure I

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

Rationale

The ratings factor in Anjalee Granites Private Limited's (AGPL) moderate scale of operations in the granite processing industry, which is a highly competitive, fragmented and a low value additive industry, thereby restricting its pricing flexibility. Notwithstanding the increase in revenues by 5% in FY2024 (PY: Rs. 69 crore), supported by the addition of new variants to its product portfolio, the scale of operations remains moderate. The ratings are constrained by the high working capital-intensive nature of business owing to substantial inventory holding and extended debtor cycle, which led to a stretched liquidity position. Its operating margins improved to 12.0% in FY2023 (PY: 9.8% in FY2022), driven by higher sales realisation. However, the debt coverage metrics, as indicated by the DSCR remained moderate at around 1 times due to high debt repayment obligations. AGPL's margins remain exposed to fluctuations in currency rates, given the absence of a hedging mechanism as it derives a substantial part (77% in FY2023) of its revenues from exports. Further, the revenues are vulnerable to macro-economic factors such as the performance of the housing real estate sector in the export markets.

The ratings, however, favourably factor in AGPL's experienced management, which has an extensive track record of operations in the granite processing industry, resulting in established relationship with its customers. AGPL's processing unit is located in the Prakasam district, in Andhra Pradesh (AP), which has abundant reserves of granite leading to easy availability of raw material in proximity to its processing unit.

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

Key rating drivers and their description

Credit strengths

Extensive experience of 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 its customers. AGPL has an established customer base in the domestic as well as exports market, as reflected by the repeated business received from them.

Favourable location of processing unit – AGPL's processing unit is located in the Prakasam district, in AP, which has abundant reserves of granite leading to easy availability of raw material and in proximity to its processing unit.

Credit challenges

Working capital-intensive nature of operations and moderate debt coverage metrics – The company's working capital intensity has remained high owing to elevated inventory levels and extended debtor cycle leading to a stretched liquidity position. While the operating margins improved to 12.0% in FY2023 (PY: 9.8% in FY2022) supported by higher sales realisation, the debt coverage metrics, as indicated by the DSCR remained moderate at around 1 times due to high interest costs and significant principal repayment obligations.

Moderate scale of operations; stiff competition in granite industry – The company has moderate scale of operations in the granite processing industry, which is a highly competitive, fragmented and low value additive industry. This limits its pricing flexibility.

Revenues vulnerable to macro-economic factors; earnings exposed to volatility in foreign exchange rates – AGPL derived 77% of its revenues from exports in FY2023. The company's revenues and margins are exposed to foreign exchange fluctuations, given the absence of any hedging mechanism. Further, the revenues are vulnerable to macro-economic factors such as the performance of the housing sector in the export markets.

Liquidity position: Stretched

The company's liquidity position remains stretched, as reflected by high utilisation of its fund-based working capital limits over the past 15 months ending in July 2023. It has sizeable debt repayment obligations of Rs. 4.10 crore in FY2024, which are expected to be met from its internal accruals.

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 leads to an inability to improve its 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

Anjalee Granites Private Limited was incorporated in September 2008. The company 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 square feet and currently has an annual installed capacity of 45 lakh square feet. The plant is located in Annangi Village, Maddhipadu Mandal, Prakasam district, AP over 8.00 acres of land. It is promoted by Mr Hari Prasad and his family members.

Key financial indicators (audited)

AGPL	FY2022	FY2023 (Prov)
Operating income (Rs. crore)	68.9	69.0
PAT (Rs. crore)	0.4	1.4
OPBDIT/OI (%)	9.8%	12.0%
PAT/OI (%)	0.5%	2.1%
Total outside liabilities/Tangible net worth (times)	1.8	1.8
Total debt/OPBDIT (times)	6.2	4.9
Interest coverage (times)	4.0	3.0

Source: Company; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT/OI – Profit after Tax/ Operating income; Prov: Provisional financials

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					September 15, 2023			Mar 29, 2021
1	Cash credit	Long-term	6.00	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
2	Export packing credit	Long-term/Short term	22.00	-	[ICRA]BB (Stable)/[ICRA]A4	-	-	-
3	Export bill discounting	Long-term/Short term	15.00	-	[ICRA]BB (Stable)/[ICRA]A4	-	-	-
4	Interchangeable-Term loans*	Long-term	-	-	-	[ICRA]BB (Stable)	-	-
5	Term loan	Long-term	3.40	3.40	[ICRA]BB (Stable)	-	-	-
6	GECL loan	Long-term	5.60	5.60	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-
7	Letter of credit	Short term	-	-	-	[ICRA]A4	-	[ICRA]A4 ISSUER NOT COOPERATING
8	Unallocated limits	Long Term/Short term	-	-	-	[ICRA]BB (Stable)/[ICRA]A4	-	[ICRA]B+ (Stable) / [ICRA]A4 ISSUER NOT COOPERATING

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

Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash credit	Simple
Export bill discounting	Simple
Export packing credit	Simple
Term loan	Simple
GECL loan	Simple

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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	-	NA	6.00	[ICRA]BB(Stable)
NA	Export packing credit	NA	-	NA	22.00	[ICRA]BB(Stable)/[ICRA]A4
NA	Export bill discounting	NA	-	NA	15.00	[ICRA]BB(Stable)/[ICRA]A4
NA	Term loan	Feb 2022	-	Jan 2027	3.40	[ICRA]BB(Stable)
NA	GECL loan	Jan 2021	-	Jan 2027	5.60	[ICRA]BB(Stable)

Source: Company data

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

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