

## Cruso Granito Pvt. Ltd.

September 24, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount(Rs. crore)	Current Rated Amount(Rs. crore)	Rating Action
Term Loan	45.00	45.00	[ICRA]B+ (Stable); Reaffirmed
Cash Credit	15.00	15.00	[ICRA]B+ (Stable); Reaffirmed
Bank Guarantee	3.00	3.00	[ICRA]A4; Reaffirmed
<b>Total</b>	<b>63.00</b>	<b>63.00</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) for the Rs. 45.00-crore<sup>1</sup> cash credit facility and the Rs. 15.00-crore term loan facility of Cruso Granito Pvt. Ltd. (CGPL or the company)<sup>2</sup>. ICRA has also reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) for the Rs. 3.00-crore non-fund based limits of the company. The outlook on the long-term remains 'Stable'.

### Rationale

The ratings remain constrained by the company's nascent stage of operations and the risk associated with stabilisation of the operations as per the expected operating parameters. The ratings also take into account the company's financial risk profile, which is expected to remain weak in the near to medium term, given the leveraged capital structure, below average debt coverage indicators and the stretched liquidity position. The liquidity strain was because the expected accruals fall short of the high debt repayment obligations. Furthermore, the ratings also factor in the intense competition caused by the highly fragmented structure of the tiles industry and the exposure of CGPL's profitability to volatility in raw material and fuel prices. The ratings further take into account the exposure of the company's operations to the cyclical nature of the real-estate industry, which is the main end-user sector.

The ratings, however, continue to favourably factor in the extensive experience of the promoters in the ceramic industry, the company's proximity to raw material procurement by virtue of its presence in Morbi (Gujarat) and the expected benefits from the established marketing and distribution network of its associate concerns.

### Outlook: Stable

ICRA believes CGPL will continue to benefit from the extensive experience of its promoters in the ceramic industry. The outlook may be revised to Positive if timely stabilisation and scale-up of operations lead to higher profitability and cash accruals during the initial phase. The outlook may be revised to Negative if slower ramp-up in sales and accrual, or sizeable working capital requirement weakens the financial risk profile, especially liquidity.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Extensive experience of promoters in ceramic tiles industry** – The key promoters, Mr. Devendra B. Patel, Mr. Dharam P. Chatrola, Mr. Anand R. Vadhadia and Mr. Bhagwanjibhai C. Kundariya have around two decades of experience in the ceramic industry through their association with Ramoji Granite Private Limited and Vita Granito Private Limited, which are involved in the manufacturing of vitrified floor tiles.

**Location-specific advantage** - The manufacturing facility of the company is located in the ceramic hub of Morbi (Gujarat), which provides easy access to quality raw materials such as body clay, feldspar and glazed frit.

### Credit challenges

**Limited track record of operations** - Being in a nascent stage (commercial operations commencing from April 2018), the company remains exposed to risks associated with stabilisation and successful scale up of operations as per the expected parameters.

**Weak financial risk profile** - The company's financial risk profile is expected to remain weak in the near term because of the debt-funded nature of the project and the impending debt repayments, with an estimated gearing of 2.81 times, DSCR of 0.76 times and Total Debt/OPBDITA of 7.49 times in FY2019. Consequently, timely funding support from the promoters/directors will remain critical to meet the debt obligations in the near term.

**Profitability to remain susceptible to volatility in raw material prices** - Raw material price is a major component that determines the cost competitiveness of the industry. The company can, however, exercise little control over the prices of raw materials. Thus, the margins are expected to remain exposed to movement in raw material prices and the company's ability to pass on any upward movement to its customers.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

### About the company:

Incorporated in May 2016, Cruso Granito Private Limited (CGPL) manufactures large-sized glazed vitrified, and double-charge vitrified tiles in four size variants i.e., 1200mmX2400mm, 1200mmX1200mm, 800mmX1600mm and 600mmX1200mm. The company's manufacturing plant is located at Morbi, Gujarat and has an installed capacity of producing 33,00,000 sq. mtr. of tiles per annum.

**Key financial indicators (audited):** Since CGPL commenced its operations from April 2018, key financial indicators of the company are not available.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years:**

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				September 2018	Oct 2017		
1	Term Loan	Long Term	45.00	44.51 <sup>^</sup>	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-
2	Cash Credit	Long Term	15.00	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-
3	Bank Guarantee	Short Term	3.00	-	[ICRA]A4	[ICRA]A4	-

<sup>^</sup>As on March 31, 2018

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2018	NA	FY2026	45.00	[ICRA]B+ (Stable)
NA	Cash Credit	NA	NA	NA	15.00	[ICRA]B+ (Stable)
NA	Bank Guarantee	NA	NA	NA	3.00	[ICRA]A4

Source: Cruso Granito Pvt. Ltd.

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