

Rating Advisory

May 31, 2019 | Mumbai

Glittek Granites Limited

Advisory as on May 31, 2019

This rating advisory is provided in relation to the rating of Glittek Granites Limited

The key rating sensitivity factors for the rating include:

- Working capital management
- Scale of operations and profitability

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Glittek Granites Limited (GGL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If GGL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

Established in 1990 by Mr Bimal Kumar Agarwal and his brothers, Mr Kamal Kumar Agarwal and Mr Ashok Agarwal, Bengaluru-based GGL processes and exports granite tiles and slabs. Facility has installed capacity of 126,000 square meters per annum.

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Rating Rationale

September 17, 2018 | Mumbai

Glittek Granites Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.20.15 Crore
Long Term Rating	CRISIL BB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB-/Stable/CRISIL A4+' ratings on the bank facilities of Glittek Granites Limited (GGL).

The ratings continue to reflect its above-average financial risk profile because of comfortable capital structure and debt protection metrics, extensive experience of promoters in the granite tiles industry. These strengths are partially offset by large working capital requirement and exposure to intense competition.

Key Rating Drivers & Detailed Description

Strengths:

* **Extensive experience of promoters:** Presence of more than two decades in the granite tiles and slabs segment has enabled the promoters to establish strong position in the domestic and global markets such as the USA, Canada, and Australia. Moreover, ability to maintain high product quality and stringent delivery deadlines have led to repeat orders.

* **Above-average financial risk profile:** Financial risk profile is above-average, marked by comfortable total outside liability to net worth of 0.94 times as on 31 March, 2018. Also, debt protection metrics were moderate, with interest coverage and net cash accrual to total debt ratios of 2.07 times and 0.12 time, respectively, in fiscal 2018.

Weakness

* **Exposure to intense competition, end-user industry slowdown, and to volatility in raw material prices:** Business risk profile is constrained by modest scale of operations in the intensely competitive granite industry, which has many unorganized players in the domestic market due to low entry barriers. GGL also has to compete with manufacturers from China, Brazil, Korea, Canada, and South Africa. Moreover, GGL remains exposed to cyclical in the construction sector, which accounts for majority of sales.

* **Large working capital requirement:** Gross current assets were 470 days as on March 31, 2018, due to sizeable inventory of 333 days and elongated receivable cycle of 145 days, as per market trend. The company maintains high inventory as it has to stock different shades and varieties of granite and it procures granite blocks and other raw materials as and when it is available.

Outlook: Stable

CRISIL believes GGL will continue to benefit over the medium term from the experience of its promoters. The outlook may be revised to 'Positive' if revenue growth leads to higher-cash accrual, and if working capital management improves. The outlook may be revised to 'Negative' if financial risk profile weakens significantly due to low cash accrual following lower-than-expected revenue or profitability; or sizeable working capital requirement.

About the Company

Established in 1990 by Mr Bimal Kumar Agarwal and his brothers, Mr Kamal Kumar Agarwal and Mr Ashok Agarwal, Bengaluru-based GGL processes and exports granite tiles and slabs. Facility has installed capacity of 126,000 square meters per annum.

The company is listed on Bombay Stock Exchange.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs.Cr	23.57	25.56
Profit After Tax (PAT)	Rs.Cr	1.12	0.1
PAT Margins	%	4.8	0.4
Adjusted Debt/Adjusted Networkth	Times	0.89	0.81
Interest coverage	Times	2.07	2.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	0.15	CRISIL A4+
NA	Bill Discounting	NA	NA	NA	10	CRISIL A4+
NA	Letter of Credit	NA	NA	NA	2	CRISIL A4+
NA	Packing Credit	NA	NA	NA	7	CRISIL BB-/Stable
NA	Standby Export Packing Credit	NA	NA	NA	1	CRISIL A4+

Annexure - Rating History for last 3 Years

		Current		2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	18.00	CRISIL BB-/Stable/CRISIL A4+			24-10-17	CRISIL BB-/Stable/CRISIL A4+	24-10-16	CRISIL BB-/Stable/CRISIL A4+			CRISIL BB-/Stable/CRISIL A4+
								08-01-16	CRISIL BB-/Stable/CRISIL A4+			
Non Fund-based Bank Facilities	LT/ST	2.15	CRISIL A4+			24-10-17	CRISIL A4+	24-10-16	CRISIL A4+			CRISIL A4+
								08-01-16	CRISIL A4+			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.15	CRISIL A4+	Bank Guarantee	.15	CRISIL A4+
Bill Discounting	10	CRISIL A4+	Bill Discounting	10	CRISIL A4+
Letter of Credit	2	CRISIL A4+	Letter of Credit	2	CRISIL A4+
Packing Credit	7	CRISIL BB-/Stable	Packing Credit	7	CRISIL BB-/Stable
Standby Export Packing Credit	1	CRISIL A4+	Standby Export Packing Credit	1	CRISIL A4+
Total	20.15	--	Total	20.15	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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