

Sologres Granito Private Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	19.76 (Reduced from 27.47)	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long-term / Short-term bank facilities	5.25	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Sologres Granito Private Limited (SGPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings Limited's (CARE Ratings) rating on SGPL's bank facilities will now be denoted as **CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Ratings assigned to bank facilities of Sologres Granito Private Limited (SGPL) continue to remain constrained on account its growing albeit moderate scale of operations and profitability and leveraged financial risk profile. Ratings continue to factor in high customer concentration risk and its presence in a highly competitive and fragmented industry, strong linkages of the industry with the cyclical real estate sector and susceptibility of its profitability to volatility in raw material prices & fuel cost considering its ability to pass on the same to customers is limited.

However, ratings favorably factor in resourcefulness of promoters with their vast experience in the ceramic industry and location advantage in terms of proximity to end-users and adequate liquidity.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on March 31, 2023, the following were the rating strengths and weaknesses (updated for the information available from company).

Key weaknesses

Moderate scale of operations and profitability

The total operating income of SGPL reported y-o-y growth of 54% to ₹119 crore in FY23 (PY: Rs. 77.22 crore). The profit before interest, lease rentals, depreciation and tax (PBILDT) margin of SGPL moderated by 213 bps to 10.07% during FY23 (PY:12.20%) on account of increase in power and fuel cost (Gas), which is partially offset by lower raw material cost. Consequently, the profit after tax (PAT) margin also moderated by 27 bps to 1.60% in FY23 (PY:1.87%). The company has reported gross cash accruals of ₹7.66 crore in FY23 (PY: Rs. 5.43 crore).

In 10MFY24 (refers to the period April 01 to January 31), the company has registered total operating income (TOI) of ₹105.02 crore along with PBILDT margin of Rs. 7.82%.

High Customer Concentration Risk

SGPL's clientele base remains concentrated marked by top five customers constituting around 52% (FY22: 52%) of SGPL's total sales. The same, increased to 64% in 10MFY24, resulting into higher customer concentration risk.

Presence in a highly competitive tile industry along with its linkages with the cyclical real estate industry

The ceramic industry is highly competitive and fragmented with the presence of numerous organized as well as unorganized players operating in the domestic market. Moreover, the ceramic tile industry has strong linkages with the real estate industry, which is highly fragmented and cyclical in India.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

Leveraged financial risk profile

The capital structure of the SGPL has improved marked by overall gearing improved to 0.8x as on March 31, 2023 (1.43x as on March 31, 2022) on account of prepayment of term loan and accretion to reserves.

The debt coverage indicators improved but remained moderate marked by interest coverage and total debt to GCA of 3.12 times (PY: 2.47 times) and 2.76x (PY: 6.19x) in FY23.

Exposure to volatility in prices of natural gas and key raw materials

The prices of major raw materials clay and fuel (natural gas and Propane) constitute a major part of the cost structure of an entity in the ceramic tile industry. Considering prices of both (clay, natural gas and propane) are market driven, the inability of the company to pass it on to its customers may exert pressure on profitability of the company. Adverse macroeconomic developments have resulted in a steep rise in fuel prices in the beginning of the year. The company has started the use of propane which is expected to reduce the fuel cost to a certain extent and also provide the company with an alternative source of fuel.

Key strengths

Experienced promoters with established track record in the ceramic industry

Promoters of Sunshine Tiles Company Private Limited, the flagship entity of the Sunshine group, hold 22.48% equity in SGPL in their personal capacity, while the balance is held by other promoters, including Satish Bopaliya and Mukesh Bopaliya, who have more than a decade of experience in the ceramic tiles industry.

Location advantage in terms of proximity to end-user

SGPL has its manufacturing unit in Morbi district in Rajkot city of Gujarat which is the largest ceramic cluster in India and second largest in the world. It provides advantage in terms of raw material sourcing and availability of skilled manpower. Moreover, proximity of major ports (such as Kandla and Mundra) also lowers the transportation cost and facilitates timely export.

Liquidity: Adequate

SGPL's liquidity is adequate marked by sufficient cash flow from operations vis-à-vis debt repayment obligation.

Average utilization of its fund-based working capital limits remained moderate at 65% during the trailing 12 months ended on January 31, 2024. The current ratio and quick ratio of SGPL remained moderate at 1.26x (1.11x as on FY22 end) and 0.86x (0.63x as on FY22-end) as on March 31, 2023. The company has free cash and bank balance of ₹0.05 crore (FY22 ₹0.7 crore) as on March 31, 2023. Going forward, the company is expected to generate the gross cash accruals of ₹8 to ₹11 crore as against the debt repayment obligation of ₹7 crore in the projected period. stood at.

Assumptions: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer durables	Consumer durables	Ceramics

Incorporated in May 2016, Morbi, Gujarat-based SGPL is engaged in the manufacturing of ceramic nano vitrified tiles (size – 600*600mm). The company commenced its operations in January 2017 and has an installed manufacturing capacity of 1,37,664 metric tonnes per annum (MTPA) as on March 31, 2023. SGPL sells its products under the 'Sologres' brand.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	January 31, 2024 (UA)
Total operating income	77.22	119.00	105.02
PBILDT	9.42	11.99	8.22
PAT	1.44	1.90	1.99
Overall gearing (times)	1.43	0.80	0.61
Interest coverage (times)	2.47	3.12	6.13

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2031	9.76	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	5.25	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	9.76	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (31-Mar-23) 2)CARE BB+; Stable (01-Apr-22)	-	1)CARE BB+; Stable (05-Feb-21)
2	Fund-based - LT-Term Loan	LT/ST**	5.25	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (31-Mar-23) 2)CARE BB+; Stable / CARE A4+ (01-Apr-22)	-	1)CARE BB+; Stable / CARE A4+ (05-Feb-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (31-Mar-23) 2)CARE BB+; Stable (01-Apr-22)	-	1)CARE BB+; Stable (05-Feb-21)

*Issuer did not cooperate; based on best available information.

**Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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