

Jyothi Granite Exports India Private Limited

August 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.00	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	45.00	CARE BB; Stable / CARE A4	Assigned
Short Term Bank Facilities	5.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Jyothi Granite Exports India Private Limited (Jyothi) are tempered by working capital intensive nature of operations, low net worth base, leveraged capital structure, presence in highly competitive industry, susceptibility of margins to volatility in raw material prices, geographical concentration risk. The ratings, however, derive comfort from experienced promoters with established presence and relationship in the market, technologically advanced manufacturing facility, improving scale of operations, and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) to Rs. 100 crore while sustaining its PBILDT Margin at existing level.
- Overall gearing improving to less than 1.5x.

Negative factors

- Overall gearing deteriorating above 2.5x on a continuous basis.
- Decline in total operating income (TOI) or profit at net levels resulting in stretching of firm's liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that Jyothi will benefit from extensive experience of its promoters in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Working capital intensive nature of operations

The working capital cycle of Jyothi remains elongated, standing at 86 days in FY24 (PY: 52 days). The company's inventory days were higher, at 88 days in FY24 (PY: 74 days). Also, as on March 31, 2024, gross current asset days of the company remained significantly high at 375 days (PY: 320 days), on leu of increase in advances to suppliers. Since the majority of the company's business is in the US region, any disruption related to export routes can significantly impact its operations.

Leveraged capital structure and low net worth base

The capital structure of the company remains leveraged, marked by an overall gearing of 2.22x as on March 31, 2024 (PY: 1.51x). This moderation is due to highly utilized working capital borrowings, and an additional dropdown overdraft (OD) facility availed by Jyothi in FY24. However, the financial profile of the company is expected to improve going forward, backed by healthier profitability and scale of operations. Networth base of the company also remains low at Rs. 29.30 crore as on March 31, 2024. The interest coverage ratio of the entity remained moderate at 2.33x in FY24 (PY: 2.81x).

Increasing competitive pressure in industry with regulatory risk:

Granite industry is highly fragmented and competitive, with presence of large number of organised and unorganised players, resulting in intense competition. As the entity is primarily exports to the USA (~70% of the total revenue), it also faces geographical concentration risk and regulatory risks, such as increase in import duties imposed by the USA govt.

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

Susceptibility of margins to volatility in raw material prices

Although the group owns quarries to ensure a consistent supply of granite for production, the price of raw materials remains unpredictable due to various external factors. The company manufactures granite slabs in over 15 varieties, with 3 to 4 varieties sourced from quarries owned by the promoter group, while the rest are procured from local traders and suppliers. Additionally, the granite export industry is closely tied to the real estate and construction sectors in other countries, which are cyclical and influenced by various macroeconomic factors and events. Moreover, Jyothi is a net exporter without an active hedging policy, making its profits vulnerable to fluctuations in foreign exchange rates. However, the company uses forward contracts for hedging when market conditions warrant.

Geographical and customer concentration risk

In FY24, the entity primarily exported granite slabs to the USA and Europe (~95% of the total revenue), with the top five customers contributing 46% of the total operating income (TOI). This concentration poses a risk for the business. However, the company plans to expand its market by catering to demand in other regions, such as Middle East and Canada, in the near future.

Key strengths

Experienced and resourceful promoters

Jyothi was incorporated under the leadership of Mr. Sidda Raghava Rao and Mr. Sidda Sudheer Kumar. Mr. Raghava Rao has over three decades of experience in the surface stone industry, while Mr. Sudheer Kumar is well-versed in the latest processes and technologies. Both the promoters have been associated with numerous firms, bringing a deep understanding of market dynamics and exposure to various industries. The family owns six quarries in Andhra Pradesh and were pioneers in mining and extraction in the state. They possess granite reserves that will last for more than three decades. Their long-established market relationships will also add value to Jyothi. Both partners are resourceful and will infuse funds as and when needed.

Advanced manufacturing facility

Jyothi Granite employs fully automated and computerized stone processing technology, ensuring the standardization of its quality control system while minimizing the possibilities of human error in manufacturing. The company utilizes two Mono wire systems installed by Pelligrini, Italy, the world's leading equipment manufacturer. Additionally, the company has one Electric Overhead Travelling (EOT) crane, ten regular cranes, polish lines from Breton, Italy, and other imported machinery from Italy.

Stable financial performance in FY24

The total operating income (TOI) of the entity improved by 12.2% in FY24 (Prov.), from Rs. 74 crore in FY23 to Rs. 83 crore, supported by stable demand of the granite surfaces in the export markets. Although the profitability margins have remained volatile over the last five years, it has remained stable, marked by PBILDT and PAT Margins standing at 12.54% and 3.46% in FY24 respectively (PY: 14.90% and 4.86% respectively). Going forward, from the current financial year, TOI is expected to be improved further on account of exports to other geographic regions, and entity is expected to achieve stable profit at net levels. CARE Ratings expects PBILDT margins to remain stable, in the range of 10-15%.

Stable industry outlook

The global granite market size reached USD 18.8 billion in 2023. Looking forward, the market is expected to reach USD 28.18 billion by 2032, exhibiting a compound annual growth rate (CAGR) of 4.6% during 2024-2032. Factors such as increasing sustainable mining practices, supportive policies promoting the use of natural stone in construction, expanding infrastructure and construction projects, and growing export opportunities are propelling the market.

The global market is primarily driven by the increasing number of infrastructure and construction projects. In line with this, rapid urbanization is significantly contributing to the need for products in commercial and residential spaces. Furthermore, granite enhances property value, positively influencing demand from the real estate sector.

Liquidity: Adequate

Liquidity position of Jyothi remains Adequate, marked by sufficient accruals against the projected repayment obligation. Though working capital limits remain highly utilised at around 93% for the past 12 months ended May 2024, liquidity is supported by additional dropdown overdraft facility available to the company. Moreover, the promoters are resourceful and infuse need-based funds in the business.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Granites & Marbles

Jyothi Granite Exports India Private Limited (Jyothi), based in Ongole, Andhra Pradesh, was incorporated in April 2007 under the leadership of Mrs. Sidda Lakshmi Padmavathi, and Mr. Sidda Raghava Rao. Jyothi is engaged in the processing and exports of granite slabs. Presently, it is one of the leading exporters of the granite slabs from Andhra Pradesh to various countries across the globe, including US, Europe, Middle East, Egypt, etc. The company has an installed capacity of 63 lac sq. ft. The promoters have more than 25 years of experience in granite mining, and 10 years in granite processing. The company offers more than 15 varieties of granite and is the largest manufacturer of black pearl granite in the world.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	73.78	82.79
PBILDT	11.00	10.38
PAT	3.59	2.87
Overall gearing (times)	1.51	2.22
Interest coverage (times)	2.81	2.33

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: Not Applicable

Rating history for last three years: Please refer 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	Dec 2026	3.00	CARE BB; Stable
Fund-based - LT/ ST-Bank Overdraft		-	-	-	35.00	CARE BB; Stable / CARE A4
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	10.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	5.00	CARE A4

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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	3.00	CARE BB; Stable				
2	Fund-based - LT/ ST-Bank Overdraft	LT/ST	35.00	CARE BB; Stable / CARE A4				
3	Fund-based - LT/ ST-Packing Credit in Foreign Currency	LT/ST	10.00	CARE BB; Stable / CARE A4				
4	Fund-based - LT-Cash Credit	LT	22.00	CARE BB; Stable				
5	Non-fund-based - ST-ILC/FLC	ST	5.00	CARE A4				

LT: Long term; ST: Short term; LT/ST: 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	Fund-based - LT/ ST-Bank Overdraft	Simple
4	Fund-based - LT/ ST-Packing Credit in Foreign Currency	Simple
5	Non-fund-based - ST-ILC/FLC	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.

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About us:

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