Agrasenprime Overseas Private Limited

November 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	81.74 (Enhanced from 70.00)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	10.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Agrasenprime Overseas Private Limited (AOPL) continue to derive strength from experienced promoters with long track record of operations in granite trading business, healthy profitability and comfortable financial risk profile, and adequate liquidity. Ratings also continue to derive strength from location advantage with easy availability of raw material.

However, ratings continue to remain constrained due to its moderate scale of operations with high geographical and customer concentration in two key natural stone markets, working capital intensive operations, profitability susceptible to exchange rate fluctuations, close linkages of its prospects to the cyclical real estate sector and global demand scenario for its products.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly increasing scale of operations marked by total operating income (TOI) above ₹350 crore with improving operating margin above 10% on a sustained basis.
- Improving gross current asset days to less than 150 days on a sustained basis.
- Improving total debt to gross cash accruals (TD/GCA) below 2.5x on a sustained basis.

Negative factors

- Significantly declining scale of operations with TOI falling below ₹200 crore or decline in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 7% on a sustained basis.
- Deteriorating overall gearing to over 1.50x on a sustained basis.
- Elongating operating cycle to over 120 days, leading to high reliance on working capital borrowings and stretched liquidity position of AOPL on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that AOPL will continue to benefit from promoters' extensive experience and its association with reputed clientele and favourable long-term demand prospects for granite and ceramic tiles in the export market.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters

AOPL was incorporated in 2014 by Ghanshyam Gupta, who has over two decades of experience in the granite industry, initially through his trading concern – Agrasen Granites and Marbles and later through AOPL. Currently, the business is managed by his son, Sourabh Gupta, who looks after the company's finance and overall operations. The company's overall operations, and marketing and distribution network in abroad are looked after by promoters, who are ably supported by the second level of management represented by qualified professionals.

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

Location advantage with ease of availability of raw material and labour
AOPL is situated in Jaipur, Rajasthan, with its manufacturing facility in Andhra Pradesh and Karnataka, which is having largest reserves of granite in India. The granite industry in India is concentrated mainly in Karnataka, Andhra Pradesh, Tamil Nadu, and Rajasthan. Realising the huge potential of granite, many other states have set up granite units. The location is considered as one of the major centres for natural stone/minerals business. For ceramic tiles trading, AOPL procures tiles from Morbi, Gujarat, which is a ceramic hub of India. Proximity to supplier of raw material in the form of granite and other mineral ensures easy availability of raw material. The manufacturing plant is situated in industrial area, hence adequate infrastructure, power, water, road, and transportation facility are available.

Comfortable capital structure and moderate debt coverage indicators
AOPL's capital structure remains comfortable marked by overall gearing of 0.88x as on March 31, 2024 (PY-end: 1.06x) owing to accretion of profits to reserves resulting in increase in net worth while maintaining stable debt. Debt coverage indicators deteriorated owing to increase in interest costs on a y-o-y basis, however, remained moderate with TD/GCA of 4.34x (PY: 2.90x) as on March 31, 2024, and PBILDT interest coverage at 4.28x in FY24 (PY: 11.93x).

Key weaknesses

Moderate scale of operations with high geographical and customer concentration though healthy profitability margins
AOPL operates on a moderate base as an export-oriented unit in granite and ceramic tiles trading business with high concentration in two key markets, Vietnam and Turkey. Scale of operations marked by TOI de-grew 7% y-o-y to ₹263.67 crore in FY24 against ₹282.17 crore in FY23 owing to decline in sales of granite slabs. While AOPL's export sales accounted for ~84% in FY24 against 87% in FY23, it remained geographically concentrated in Vietnam and Turkey. Export client concentration risk also remained high with top 10 customers constituted ~97% and 84% of total export sales in FY24 and FY23, respectively. However, despite major revenue derived from trading business, profitability remains healthy due to AOPL's established relations and established brand in export market. The company's PBILDT margin declined by 133 bps to 9.16% in FY24 compared to 10.49% in FY23. With increase in finance charges and depreciation, profit after tax (PAT) margin also declined by 253 bps y-o-y to 4.18% in FY24 compared to 6.71% in FY23. Subsequently, owing to decline in scale of operations, gross cash accruals of AOPL also declined in FY24 to ₹14.09 crore compared to ₹21.47 crore in FY23.

Working capital intensive operations
Companies operating in the granite/stone industry usually have elongated working-capital cycle. This is due to nature of the product necessitating storage of stocks of different types/shades as required by clients and maintaining adequate level of inventory to meet customer demands on a timely basis. In rainy season, production at quarries drop, which in turn, requires the company to store raw material and finished goods for a longer period. However, as AOPL is largely in trading activity with increasing base of manufacturing operations, inventory holding period is on increasing trend. AOPL provides a credit period (average of 52 days in the last three years ended FY24 to its suppliers [distributors], however, AOPL's collection period stretched in the last three years (from 74 days in FY22 to 134 days in FY24) owing to more credit period providing to its export customers and more time in transit, which results in elongation in operating cycle from 63 days in FY23 to 96 days in FY24.

Prospects linked to cyclical real estate sector and risk associated with foreign exchange fluctuation
Demand for granite and ceramic tiles is directly linked with demand from its end-user industry, real estate sector in its key market (Vietnam and Turkey). Thus, slowdown in demand due to adverse macroeconomic environment or inherent cyclicality remains crucial from the credit perspective. AOPL is exposed to foreign exchange fluctuation risk considering that the company generated ~84% of TOI from export in FY24. However, the company does follow hedging policy to a certain extent.

Liquidity: Adequate

AOPL's liquidity remains adequate marked by sufficient cushion in cash accruals against nominal debt repayment obligations, comfortable liquidity ratios, and healthy cashflow from operations. However, average utilisation of fund-based working capital limit remained almost fully utilised in 12-months ended April 30, 2024. The company has free cash and bank balance of ₹2.14 crore and ₹2.53 crore as on March 31, 2024, and March 31, 2023. The company has reported net cash flow from operating activities of ₹22.48 crore (PY: negative ₹18.80 crore). It was negative in previous year owing to higher receivables, which remained stable in FY24. The current ratio and quick ratio stood ~1.35x and 1.20x as on March 31, 2024. AOPL is envisaged to generate cash accruals of ~₹18-19 crore in FY25 against committed cash outflows of ~₹2.15 crore towards its debt repayment obligations in FY24. Going forward, AOPL's cash accruals is envisaged to be in the range of ₹20-25 crore, which would be adequate for its committed obligations.

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]
[Wholesale Trading]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Granites & marbles

Jaipur-based (Rajasthan) AOPL was incorporated in 2014, is engaged in trading and manufacturing granites and marbles and trading ceramic tiles (which started from FY22) largely for export markets. The company started manufacturing operations in Ongole, Andhra Pradesh in 2014 in proximity to the rich mine resources of granites. From December 2022, the company started another manufacturing facility in Bangalore, for processing mosaic/granite slabs and tiles. The company has installed capacity of 4,020,000 square feet per annum for granite processing as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	282.17	263.67
PBILDT	29.60	24.16
PAT	18.92	11.03
Overall gearing (times)	1.06	0.88
Interest coverage (times)	11.93	4.28

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	01-09-2027	6.34	CARE BBB-; Stable
Fund-based-Working capital facilities		-	-	-	75.40	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	5.00	CARE A3

Annexure-2: Rating history for 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	6.34	CARE BBB-; Stable	1)CARE BBB-; Stable (04-Jul-24)	1)CARE BBB-; Stable (03-May-23)	-	-
2	Fund-based-Working capital facilities	LT	75.40	CARE BBB-; Stable	1)CARE BBB-; Stable (04-Jul-24)	1)CARE BBB-; Stable (03-May-23)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A3	1)CARE A3 (04-Jul-24)	1)CARE A3 (03-May-23)	-	-
4	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A3	1)CARE A3 (04-Jul-24)	1)CARE A3 (03-May-23)	-	-
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	1)Withdrawn (04-Jul-24)	1)CARE BBB-; Stable / CARE A3 (03-May-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Working capital facilities	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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