

Color Granito Private Limited

December 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	21.32 (Reduced from 29.95)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	47.50 (Enhanced from 40.05)	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Color Granito Private Limited (CGPL) continues to derive strength from vast experience of promoters in the ceramic industry, location advantage due to CGPL's presence in ceramic tile hub along with diversified customer base. The ratings further continue to derive strength from moderate scale of operations and profitability during FY24 (Audited, FY refers to period April 01 to March 31) and adequate liquidity.

However, ratings remain constrained on account of moderate capital structure and debt coverage indicators. The ratings also continue to remain constrained considering susceptibility of operating margins to volatility in the raw material, fuel costs and foreign exchange fluctuation risk along with presence in a highly competitive ceramic industry with fortunes linked to demand from cyclical real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continued growing scale of operations with improvement in PBILDT margin to more than 10% on a sustained basis
- Improvement in capital structure marked by overall gearing below 1.25x on sustained basis

Negative factors

- Any major debt funded capex resulting to deterioration in capital structure with overall gearing moderating beyond 2.00x on sustained basis
- Decline in scale of operations with TOI below ₹150 crore along with PBILDT margin below 6.00% on a sustained basis
- Elongation in its operating cycle beyond 120 days on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of CGPL is "Stable" considering long experience of promoters in the ceramic industry coupled with sustainability of its operational performance and location advantage of being in the ceramic hub.

Detailed description of key rating drivers

Key strengths

Experienced promoters

Incorporated in 2015 and promoted by Vipul Patel, Nareshkumar Patel, Ankur Bavarva, Hardik Aghara and Jill Zalaria, CGPL is a part of 'colortile group' which has presence in the ceramic industry since 2005. The group's flagship company was established to manufacture wall tiles in Morbi in the name of 'Color Tiles Private Limited', which was promoted by Vipul Patel. Vipul Patel, MD and CEO, has over two decades of experience in the ceramic industry and looks after overall functions of the company. The directors are further supported by professional tier II staff. Although Nareshkumar Patel, Ankur Bavarva, Hardik Aghara are no longer the directors of the company, they continue to manage the daily operations of both the company and its group companies.

Location advantage due to presence in the ceramic tile hub

CGPL's manufacturing facilities are located at Morbi, Gujarat which houses over 900 ceramic tile manufacturers and contributes around 80% of India's ceramic tile production. It provides advantage in terms of raw material sourcing, easy availability of skilled manpower and lower transport cost in export due to proximity to Kandla port. Manufacturing facilities of CGPL has state-of-the-art technology which provides benefit in terms of superior quality product.

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

Moderate despite growing scale of operations and moderate profitability

Scale of operations as marked by company's TOI during FY24 grew by 19% on y-o-y basis to ₹294.07 crore in FY24 from ₹247.94 crore in FY23 mainly owing to increase in sales volume by 21%. There is marginal decrease in sales realisation attributable to reduction in power and fuel costs and market competition. Further, till October 31, 2024, it has reported TOI of ₹164.48 crore. PBILDT margin declined by 172 bps on y-o-y basis mainly owing to increase in raw material costs. PAT margin during FY24 continued to remain low at 0.91% (FY23: 0.96%), although, increased in absolute terms.

Diversified customer base

CGPL has geographically diversified customer base. The customer concentration risk remains low below 20% of total sales, as reflected by top 10 customer contribution in the past two years ended FY23 and FY24. Further, exports contribute ~40-45% of TOI with major exports to the United Kingdom, the United Arab Emirates, Iraq and Poland.

Key weaknesses

Moderate capital structure and debt coverage indicators

CGPL's capital structure remained moderate marked by overall gearing of 2.00x as on March 31, 2024, against 1.80x as on March 31, 2023. Total debt has increased with infusion of unsecured loans and increase in working capital limits for payment to creditors. Unsecured loans of ₹5.28 is considered as quasi capital as on March 31, 2024 (₹7.95 crore as on March 31, 2023) as per bank's sanction terms. Capital structure is expected to improve from FY25 onwards with repayment of term loan and accretion of profits in reserve. CGPL's debt coverage indicators moderated marked by interest coverage ratio of 2.58x in FY24 (P.Y.: 2.74x) and TDGCA of 6.74 years in FY24 (P.Y.:5.43 years).

Susceptibility of profit margins to volatile raw material, fuel prices and foreign exchange fluctuation risk

Prices of key raw materials i.e. clay, feldspar, quartz, glaze mix, kaolin, body chemical which forms ~40% of cost of sales (COS) are market driven and puts pressure on margins of tile manufacturers in case of adverse movement in the prices of these key raw materials. Another major cost component is fuel costs forming ~29% of COS. Fuel cost comprise fuel in the form of natural gas and propane to operate kiln, coal to heat residue and power to operate machineries other than kiln. CGPL's export forms ~88% of its TOI against nil import exposing it to foreign exchange fluctuation risk. CGPL has no active hedging policy in place. CGPL has registered forex gain of ₹1.69 crore in both FY24 and FY23. Hence, adverse movement in material, fuel prices and forex fluctuations impact the company's profitability.

Presence in a highly competitive ceramic industry with fortunes linked to demand from cyclical real estate sector

The ceramic tile industry in India is highly competitive. Low entry barriers, easy availability of raw material and limited initial capital investment requirement has attracted large influx of unorganised and regional players. Hence, CGPL's ability to scale up its operations and achieve healthy capacity utilisation levels in light of competitive vitrified tile industry would be crucial. Most demand for tiles come from the real estate industry, which, in India is highly fragmented and cyclical. The real estate industry is also highly sensitive to the interest rates and liquidity position in market. Thus, negative impact on the real estate industry will adversely affect the prospects of ceramic tiles industry as well as the company. However, due to anti-China movement and faster than expected recovery of demand in the domestic market, scaling up of operations by ceramic tile entities has been faster than envisaged.

Liquidity: Adequate

CGPL's liquidity remained adequate marked by moderate cash accruals, liquidity ratio, operating cycle and positive cash flows from operations. Average and maximum utilisation for working capital limits remained high at 88% and 94% respectively for past 12 months ended September 30, 2024. As on March 31, 2024, cash and bank balance remained at ₹0.37 crore. Liquidity ratios marked by current ratio and quick ratio remained moderate at 1.33x (PY:1.25x) and 0.86x (PY: 0.74x) as on March 31, 2024. CGPL generated cash accruals of ₹12.81 crore, which are sufficient to repay debt obligation of ~₹7.50 crore arising in FY25. Operating cycle stood moderate at 89 days (PY: 88 days). CGPL generated moderate cash flow from operations of ₹5.47 crore in FY24 (PY: 14.34 crore).

Applicable criteria

[Definition of Default](#)

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

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About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Ceramics

Morbi (Gujarat) based, CGPL is incorporated in 2015 by Mr. Vipul Patel, Mr. Nareshkumar Patel, Mr. Ankur Bavarva, Mr. Hardik Aghara and Mr. Jill Zalaria. Further, Mr. Sandip Patel appointed as Director in 2020 while Mr. Nareshkumar Patel, Mr. Ankur Bavarva and Mr. Hardik Aghara ceased to be directors since 2024. It is a part of 'colortile group', which has presence in the ceramic industry since 2005. The group's flagship company, Colortiles Private Limited, was incorporated in 2005 to manufacture wall tiles in Morbi. In 2015, it ventured into floor tiles through its greenfield project under 'Color Granito Private Limited' to manufacture Glazed Vitrified Tiles (GVT) and Polished-Glazed Vitrified Tiles (PGVT) and Porcelain Tiles. As on March 31, 2024, CGPL has installed capacity of 98.50 lakh Square Meter Per Annum (SMPA) at its sole manufacturing facility located at Morbi, Gujarat. Tiles manufactured by the company find its application in flooring and wall tiling for residential, commercial and industrial uses to a certain extent. CGPL sells product under the brand name of 'colortile'

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (Prov.)
Total operating income	247.94	294.07	164.48
PBILDT	24.54	24.05	NA
PAT	2.38	2.67	NA
Overall gearing (times)	1.80	2.00	NA
Interest coverage (times)	2.74	2.58	NA

A: Audited; Prov.: Provisional; NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Brickwork has moved the rating assigned to bank facilities of CGPL into Issuer Not Cooperating category with 1 notch downgrade vide press release dated February 07, 2024, considering its inability to carry out a review in the absence of requisite information from the company.

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		-	-	31-05-2029	21.32	CARE BBB-; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	40.00	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	7.50	CARE BBB-; Stable / 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	21.32	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Nov-23)	-	-
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	40.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (17-Nov-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	7.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (17-Nov-23)	-	-

LT: Long 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 - LT/ ST-CC/Packing Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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:

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